

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name ALLEGAN COUTNY	County ALLEGAN
Audit Date 12/31/04	Opinion Date 8/19/05	Date Accountant Report Submitted to State: 9/14/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

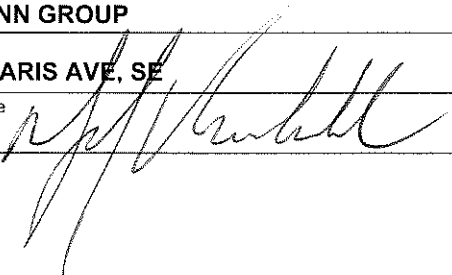
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		✓	
Reports on individual federal financial assistance programs (program audits):			✓
Single Audit Reports (ASLGU).		✓	

Certified Public Accountant (Firm Name) THE REHMANN GROUP			
Street Address 2330 EAST PARIS AVE, SE		City GRAND RAPIDS	State MI
Accountant Signature 		ZIP 49546	Date 9/14/05



COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2004

Prepared by:
Allegan County Budget and Finance Department

ALLEGAN COUNTY

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INTRODUCTORY SECTION



Budget and Finance Department
Allegan County Administration
3283 - 122nd Ave
Allegan, MI 49010

Telephone (269) 673-0200
Fax (269) 673-0367

August 19, 2005

TO COUNTY OF ALLEGAN CITIZENS AND OTHER INTERESTED PERSONS:

The *Comprehensive Annual Finance Report of the County of Allegan (CAFR)* for the fiscal year ended December 31, 2004, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the data as presented is accurate in all material respects and reported in a manner that fairly sets forth the financial position and results of operations of the various funds of the County. All disclosures considered necessary to enable the reader to gain an understanding of the County's financial activities are included.

The report is comprised of three sections. The *Introductory Section* includes the table of contents, letter of transmittal, and organizational data. The *Financial Section* includes the Independent Auditor's Opinion, the Management Discussion and Analysis, Basic Financial Statements, Notes to the Financial Statements and the Combining and Individual Fund Statements and Schedules. The *Statistical Section* includes tables that reflect economic and financial data and trends, together with the current fiscal capacity of the County.

The *Notes to Financial Statements* are considered to be an integral part of the report and should be read for a more complete understanding of the statements and information presented therein.

Management's discussion and analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A compliment this letter of transmittal and should be read in conjunction with it.

GENERAL BACKGROUND INFORMATION

The County of Allegan is located in the western portion of the state, bordering Lake Michigan and approximately 65 miles north of the Michigan-Indiana border. The U.S. Census Bureau's final 2000 population stands at 105,665, a 16.7% increase from the 1990 census figure of 90,683. The County includes an area of 829 square miles divided into 24 townships, 3 villages and 6 cities.

The County was incorporated in 1835, under authority and provisions established by the State of Michigan. The County is organized as a Commissioner-Administrator form of government. The Commission is comprised of eleven members elected by district. The County Administrator is responsible to implement and administer policies and programs delineated in the annual budget and by various actions of the Commission. An organization chart is included to define the total governmental structure.

The County Charter requires a *Road Commission* and a *Drain Commission/Department of Public Works (DPW)* appointed by the County Commission, together with management and support staff, to administer and operate the County's roads and drains. These two entities are included in this report as discretely presented component units and are part of the County reporting entity as defined by generally accepted accounting principles.

GENERAL BACKGROUND INFORMATION

(Continued from Previous Page)

The County government's employed staff includes 570 full-time positions, and approximately 226 part-time positions. The full-time workforce is composed of a base of non-union plus eleven organized labor bargaining units as follows:

<u>Employee Group</u>	<u>Affiliation</u>	<u>Member Status</u>
Assistant Prosecuting Attny	Allegan County Assistant Prosecutors	8
Non-Salaried Court Employees	48 th Circuit Court, Probate Court, and 57 th District Court Employees Association	100
Salaried Court Employees	Salaried Employees Association of the 48 th Circuit Court, Probate Court, and 57 th District Court	6
Sheriff Deputies	Police Officers Labor Council	50
Sheriff's Department Command Officers (Road)	Police Officers Labor Council	11
Telecommunicators	Teamsters State, County and Municipal Workers, Local 214	11
Clerks, Secretaries, Technicians, Custodians, Maintenance	Teamsters State, County and Municipal Workers, Local 214	59
Corrections Officers	Teamsters State, County and Municipal Workers, Local 214	23
Sheriff's Department Command Officers (Corrections)	Police Officers Labor Council	7
Telecommunicator Supervisors	Teamsters State, County and Municipal Workers, Local 214	5
Non-Union	None	439
SEIU	Service Employees International Union	77

The County enjoys a well-diversified property tax base mix of residential (66.09%), commercial (9.05%), industrial (4.92%), agricultural (11.90%) and all other (8.04%). The County's industrial sector includes a diversification of manufacturing, including pharmaceuticals, office systems & furniture, auto and truck parts, boats, corrugated paper, food products, and several other industries.

THE FINANCIAL REPORTING ENTITY

The *Governmental Accounting Standards Board (GASB)* issues authoritative statements and pronouncements that define acceptable governmental financial reporting. *GASB Statements No. 14 and 39* define *The Financial Reporting Entity* to include all funds, agencies, boards, commissions, and authorities that are controlled by or dependent upon the primary government unit for their on-going existence. *The Financial Reporting Entity* is composed of the:

THE FINANCIAL REPORTING ENTITY

(Continued from Previous Page)

- *primary government* (together with *blended component units* that, although legally separate, are so tightly intertwined with the primary government that they are, in essence, the same as the primary government)
- *discretely presented component units*.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The requirements of *GASB Statements No. 14 and 39* are addressed in this report. Component units that require discrete presentation are the *Road Commission* and the *Drain Commission/Department of Public Works*. These two component units are legally separate organizations for which the Allegan County Board of Commissioners is financially accountable; and/or for which the nature and significance of their relationship with the County are such that exclusion would cause the financial statements to be misleading or incomplete. The component units are further identified in the *Notes to Financial Statements*.

The requirements of *GASB Statement No. 34* were addressed and implemented for the fiscal year ending December 31, 2001. Presentation of the government-wide Statement of Net Assets, Statement of Activities, Management's Discussion and Analysis, and depreciation of capital assets are all addressed in this report.

The revisions and requirements delineated by *GASB Statement No. 34* that are still in the process of study and preparation by the County relate to the retroactive reporting of infrastructure assets by no later than the fiscal year ending December 31, 2007 (required compliance date for the County of Allegan).

ECONOMIC CONDITIONS OF THE COMMUNITY

The County of Allegan has enjoyed sustained growth of its business and residential communities throughout the decades of the 1970's and 1980's and into the 1990's, both in terms of increases in property tax base and the overall employment environment. This growth trend has flattened out during the 2000's, but it is fully expected to recover and continue well into the upcoming years based on the availability of developable land and the County's proximity to Holland, Kalamazoo, and Grand Rapids (the state's second largest city). Property values in the County continue to rise at a rate 4-5 times the Consumer Price Index. Because of the diversity of the business community within the County of Allegan, economic downturns have generally not been as severe as in several other areas of the State whose economies are centered around one type of industry, such as automotive.

Due to recent economic downturns, the most recent Manpower Inc. survey of major employers in the greater Allegan area indicates stagnant net hiring for the next three to six months. New development and economic growth in both the commercial and industrial sectors has continued to grow slowly throughout calendar year 2004. Tax base growth has averaged 6.95% annually over the past four years and includes residential, industrial, and commercial growth. The county's population growth reflects growing housing demand driven by increased employment opportunities in the surrounding metropolitan areas. The projection for calendar year 2005 is for the local area economy to strengthen and maintain slow growth.

GENERAL FINANCIAL INFORMATION

This report consists of management's representations concerning the finances of Allegan County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of Allegan County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Allegan County financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, Allegan County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The annual budgeting process is conducted in accordance with *State of Michigan Act 621 of 1978*, as amended. Formal budgets are established for the General Fund and all Special Revenue Funds.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designated to complement MD&A and should be read in conjunction with it. The Allegan County MD&A can be found immediately following the report of the independent auditor.

Budget controls are maintained at an *Activity* level within the general, special revenue and debt service funds. An activity is most often the highest hierarchy level within a fund, such as a department. From an expenditure control perspective, an activity/department is restricted by its total budgeted appropriation. Expenditure accounts within an activity budget are not controlled at the line-item *Object* level, but rather in summary at the activity level.

CASH AND INVESTMENT MANAGEMENT

Each fund within the county has its cash, that is needed for daily operations, invested in the County depository and investment pool.

Cash temporarily idle during the year may be invested in bank certificates of deposit, commercial paper, bank money market accounts, as well as U.S. Government securities as permitted by the State of Michigan statutes and the County's Cash and Investment Policy, formally updated and adopted by the County Board of Commissioners on December 16, 1998. The majority of placements during the fiscal year 2004 were in certificates of deposit, U.S. Government securities, money market accounts and government mutual funds.

Investment earnings are affected by various factors, including: funds available for investment, length of investment maturities, interest rate environment at time of investment acquisition, and fluctuations in fair value of the underlying security.

RISK MANAGEMENT

The County manages its risk exposures through a combination of self-insurance programs, risk management pools, and commercial insurance and excess coverage policies.

For coverages concerning automobile liability, motor vehicle physical damage, and property damage, the County participates in the Michigan Municipal Risk Management Authority. Contributions and claims are paid from the self insurance internal service fund, and are based on claims experience, historical data and insurance industry statistics.

The County is self insured for unemployment claims, which is also accounted for in the Self-Insurance Internal Service Fund. Unemployment claims are reimbursed to the Michigan Employment Security Commission.

The County is self-insured for employee health and dental insurance. Claims and premiums are paid from the self insurance internal service fund . Vision and life insurance is available to eligible employees through insurance companies. Premiums for both the commercial and self-insured programs are paid into the self insurance internal service funds by all other funds based on actual or illustrated rates. Excess insurance coverage purchased by the County covers individual claims in excess of \$75,000 annually, subject to an annual aggregate claim of \$1,000,000.

The Allegan County Community Mental Health Board is self-insured for health, dental, and short-term disability insurance. Premiums paid into the mental health self-insurance internal service funds are available to pay health care claims, claim reserves, excess coverage and administrative costs and are based on actual or illustrated rates. Excess coverage purchased by Mental Health Board covers claims in excess of \$30,000 annually, subject to an annual limitation of \$695,976 for medical claims.

SERVICES PROVIDED

The County provides the full range of services normally associated with a county including deputy road patrol and detective services, correctional services, health, environmental health, housing and building inspections, housing rehabilitation, animal control, street construction and maintenance, planning & zoning, recreation programs, several county parks, and various other cultural activities.

INDEPENDENT AUDIT REQUIREMENTS

As required by the *Allegan County Articles of Incorporation* and the *Michigan Uniform Accounting and Reporting Act*, the financial statements contained in this report have been audited by an independent certified public accounting firm. This requirement has been fulfilled and the certified public accounting firm of Rehmann Robson has issued an opinion on the financial statements.

Additionally, the County is required to undergo an annual audit concerning conformance with provisions of the *Single Audit Act of 1996, as amended* and *OMB Circular A-133, Audits of State and Local Governments and Non Profit Organizations*. Information and auditor's findings related to the *Single Audit* are published as a separate report.

AWARD

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Allegan for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2003. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report would not have been possible without the efficiency and commitment provided by the entire Finance staff.

Appreciation is extended to all employees who assisted in the preparation of this report in a responsible, accurate and timely manner.

We also wish to thank the Board of Commissioners for their ongoing support in providing the public with an outstanding financial document.

Respectfully submitted,



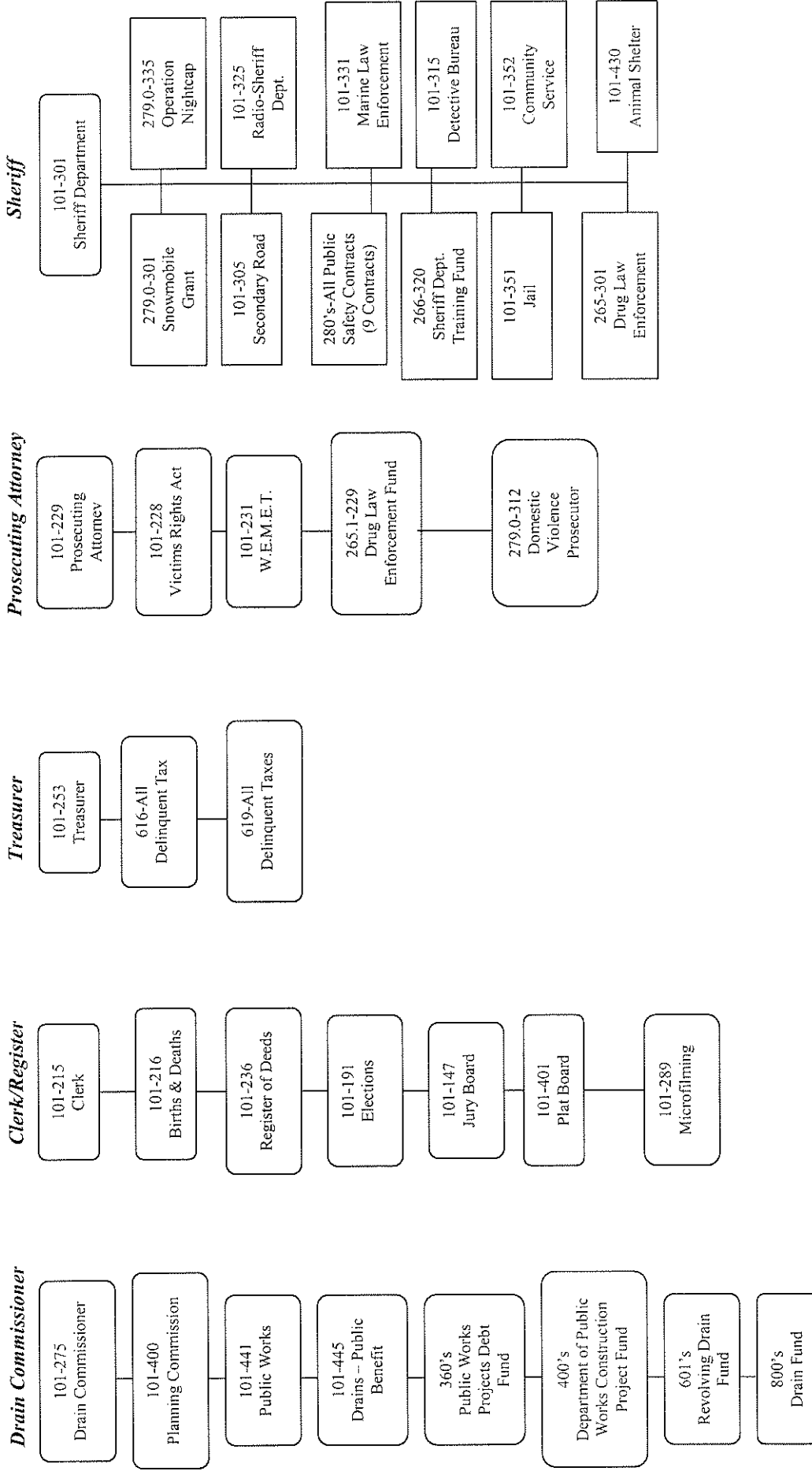
Marc A. DeVries, CPA
Allegan County Budget and Finance Director

Organizational Chart Identifying Funds & Activities Within the Administration Department



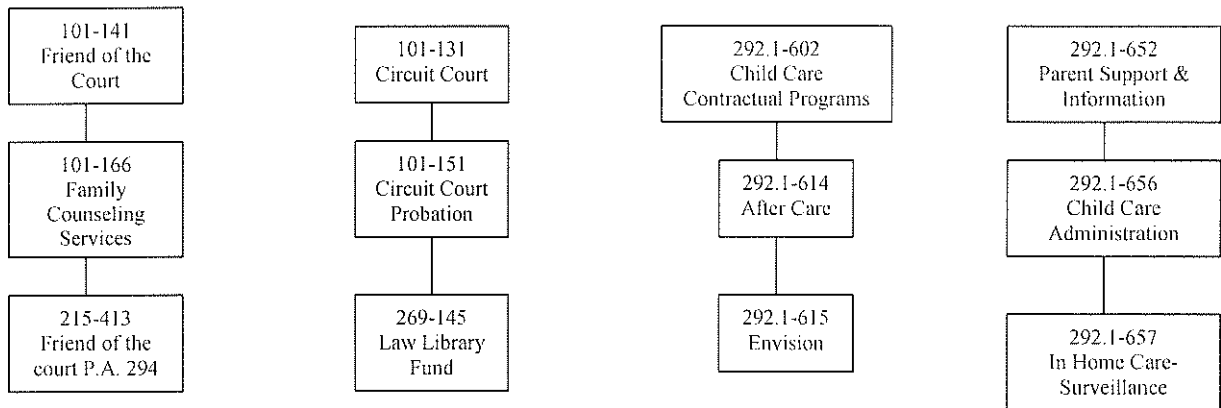
Elected Officials

Organizational Chart
Identifying Funds & Activities Responsible to the Appropriate Department

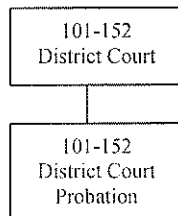


Judicial
Organizational Chart
Identifying Funds & Activities within each Court

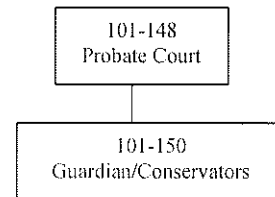
Family Court



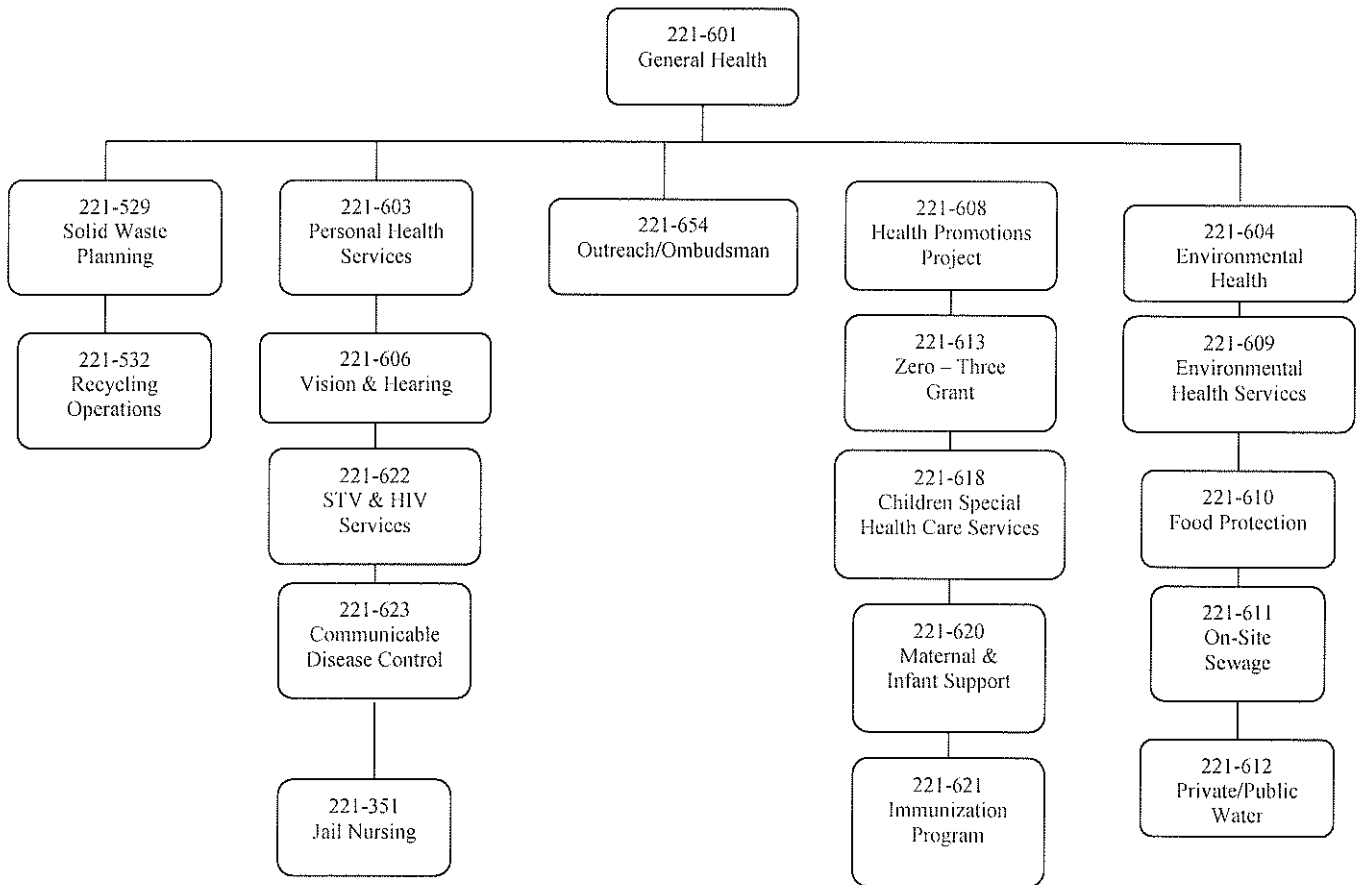
District Court



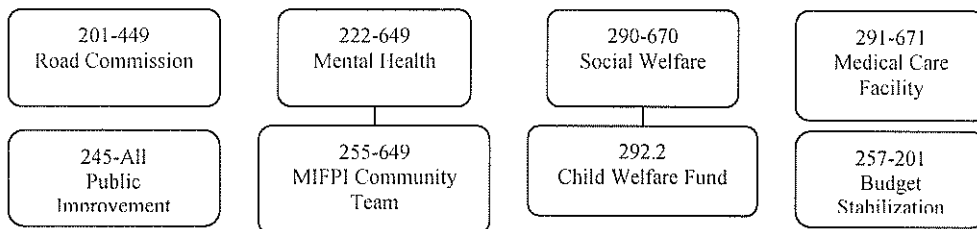
Probate Court



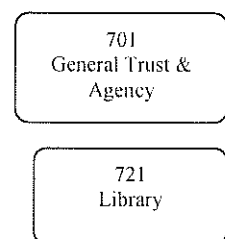
Health Department
Organizational Chart
Identifying Other Department Funds



Other Funds & Activities



Trust & Agency



ALLEGAN COUNTY

PRINCIPAL COUNTY OFFICIALS

December 31, 2004

Elected Members of the County Commission

Commission Member, First District	Randy Brink
Commission Member, Second District	Steve McNeal
Commission Member, Third District	Paul VanEck
Commission Member, Fourth District	Mark DeYoung
Commission Member, Fifth District	Kimberlee VanLangevelde
Commission Member, Sixth District	Max Thiele
Commission Member, Seventh District	Don Black
Commission Member, Eighth District	David Babbitt
Commission Member, Ninth District	Lou Thierwechter
Commission Member, Tenth District	Jon Campbell
Commission Member, Eleventh District	Larry Jones

Staff Officials Appointed by County Commission

County Administrator	Michael Lombardo
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Staff Officials Appointed by County Administrator

Budget and Finance Director	Marc A. DeVries, CPA
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CERTIFICATE OF ACHIEVEMENT

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Allegan,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

August 19, 2005

County Board Of Commissioners
Allegan County
County Courthouse
Allegan, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Allegan County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Allegan County, Michigan. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Road Commission, representing 68% of the assets and 89% of the program revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it related to the amounts included for the Road Commission, is based solely on the report of the other auditors.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Allegan County, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2005 on our consideration of Allegan County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Allegan County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of Allegan County's basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

MANAGEMENT'S DISCUSSION AND ANALYSIS



ALLEGAN COUNTY BUDGET AND FINANCE DEPARTMENT

3283 - 122nd Ave • Allegan, Michigan 49010

Phone (269) 673-0200 • Fax (269) 673-0367



Management's Discussion and Analysis

As management of Allegan County, we offer readers of the Allegan County financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The assets of Allegan County exceeded its liabilities at the close of fiscal year 2004 by \$55,887,527 (*net assets*). Of this amount, \$26,161,440 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors. The County's obligations totaled \$32,880,940 as of December 31, 2004.
- At December 31, 2004, the County's governmental funds reported combined ending fund balances of \$22,606,452, a decrease of \$165,046.
- At December 31, 2004, unreserved fund balance for the General Fund was \$1,281,963, or 5.8% of general fund expenditures.
- Governmental funds revenues increased by \$7,066,545 or 11.9% over the prior fiscal year.
- Total noncurrent liabilities in the Primary Government decreased by \$4,025,144, from \$14,850,205 to \$10,825,061 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County financial statements. The County basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in MD&A future fiscal periods (e.g., accrued interest expense).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include governmental operations.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 28 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, health, mental health, central dispatch and revenue sharing reserve funds, each of which are considered to be major funds. Data from the other 23 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general, special revenue and debt service funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 18-26 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its information services contracts, assessing and mapping activities, and

delinquent taxes. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the various County functions. The County uses internal service funds to account for its self insurance, mental health self insurance and motor pool activities.

The basic proprietary fund financial statements can be found on pages 27-29 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 30 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-61 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the financial statement. Combining and individual fund statements and schedules can be found on pages 62-106 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$55,887,527 at the close of the most recent fiscal year. A large portion of the County's net assets represents its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also legally separate component units for which the County is financially accountable. Financial information for *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15-17 of this report

Allegan County Net Assets

	Governmental Activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$43,825,061	\$49,255,343	\$17,670,345	\$17,224,252	\$61,495,406	\$66,479,595
Capital assets	27,273,061	22,785,390	-	5,900	27,273,061	22,791,290
Total assets	71,098,122	72,040,733	17,670,345	17,230,152	88,768,467	89,270,885
Long-term liabilities outstanding	10,825,061	14,850,205	-	-	10,825,061	14,850,205
Other liabilities	21,389,356	25,443,120	666,523	57,928	22,055,879	25,501,048
Total liabilities	32,214,417	40,293,325	666,523	57,928	32,880,940	40,351,253
Net assets:						
Invested in capital assets, net						
of related debt	16,648,976	14,859,243	-	5,900	16,648,976	14,865,143
Restricted	13,077,111	8,406,904	-	-	13,077,111	8,406,904
Unrestricted	9,157,618	8,481,261	17,003,822	17,166,324	26,161,440	25,647,585
Total net assets	\$ 38,883,705	\$ 31,747,408	\$ 17,003,822	\$ 17,172,224	\$ 55,887,527	\$ 48,919,632

Net Assets

The County uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Investment in capital assets, net of related debt, is 30% of total net assets. Although the County's investment in net assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net assets (23%) represents resources that are subject to external restrictions on how they may be used. Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. All such assets (except for assets invested in capital assets, net of related debt) are considered restricted or unrestricted. The largest portion of the County's net assets (47%) are unrestricted net assets. These net assets may be used to meet the government's ongoing obligations to citizens and creditors.

The County's total net assets increased approximately 14%, or \$6,967,895 to \$55,887,527 from \$48,919,632 for the year ended December 31, 2004.

Allegan County

Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenue:						
Program revenue:						
Charges for services	\$28,007,576	\$27,457,967	\$1,144,115	\$1,185,711	\$29,151,692	\$28,643,678
Operating grants and contributions	12,822,467	10,818,223	-	-	12,822,467	10,818,223
Capital grants and contributions	102,080	-	-	-	102,080	-
General revenue:						
Property taxes	23,711,496	17,805,163	-	-	23,711,495	17,805,163
Other	1,334,048	2,609,930	308,775	190,261	1,642,823	2,800,191
Total revenue	<u>65,977,667</u>	<u>58,691,283</u>	<u>1,452,890</u>	<u>1,375,972</u>	<u>67,430,557</u>	<u>60,067,255</u>
Expenses:						
Legislative	387,025	515,679	-	-	387,025	515,679
Judicial	4,799,771	4,719,598	-	-	4,799,771	4,719,598
General government	9,515,668	9,451,800	-	-	9,515,668	9,451,800
Public safety	11,451,528	10,680,996	-	-	11,451,528	10,680,996
Public works	238,545	272,410	-	-	238,545	272,410
Parks and recreation	400,780	531,380	-	-	400,780	531,380
Health	33,020,021	30,989,236	-	-	33,020,021	30,989,236
Interest on long-term debt	581,857	903,246	-	-	581,857	903,246
Delinquent property tax	-	-	44,763	35,480	44,763	35,480
Information Services	-	-	16,804	19,189	16,804	19,189
Assessing/mapping activities	-	-	5,900	2,503	5,900	2,503
Total expenses	<u>60,395,195</u>	<u>58,064,345</u>	<u>67,467</u>	<u>57,172</u>	<u>60,462,662</u>	<u>58,121,517</u>
Increase in net assets before transfers	5,581,472	626,938	1,385,423	1,318,800	6,967,895	1,945,738
Transfers	<u>1,553,825</u>	<u>994,513</u>	<u>(1,553,825)</u>	<u>(994,513)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	7,136,297	1,621,451	(168,402)	324,287	6,967,895	1,945,738
Net assets - beginning of year (restated)	<u>31,747,408</u>	<u>30,125,957</u>	<u>17,172,224</u>	<u>16,847,937</u>	<u>48,919,632</u>	<u>46,973,894</u>
Net assets - end of year	<u><u>\$38,883,705</u></u>	<u><u>\$31,747,408</u></u>	<u><u>\$17,003,822</u></u>	<u><u>\$17,172,224</u></u>	<u><u>\$55,887,527</u></u>	<u><u>\$48,919,632</u></u>

Governmental activities

Governmental activities increased the County's net assets by \$7,136,297, accounting for 102% of the total growth in the County's net assets. The sizeable difference between the change in fund balances and the change in net assets is mostly due to large capital outlays in the current year, which are expensed under the modified accrual basis method and accounted as capital assets under full accrual basis. A smaller portion of the difference is due to principal payments on debts that are expensed under the modified accrual method and are booked as reductions in long-term debt under the full accrual basis.

Government activities include:

- Legislative activities – Expenses related to the Board of Commissioners and high-level administrative expenditures.
- Judicial activities – Expenses related to the administration of Circuit, District, and Probate/Family courts and Court Probation units.
- General government activities – Expenses related to the support departments of the County such as Administration, Human Resources, Treasury, Information Services, Facilities Management, and Finance.
- Public safety – Expenses related to the Sheriff's administration and road patrol and County corrections services.
- Public works activities – Expenses related to County water and sewer systems and drains systems.
- Parks and recreation – Expenses related to County parks and Tourist Council.
- Health – Expenses related to public health services such as Immunization, Solid Waste, Child Care, Medical Examiner, and Housing Assistance programs.

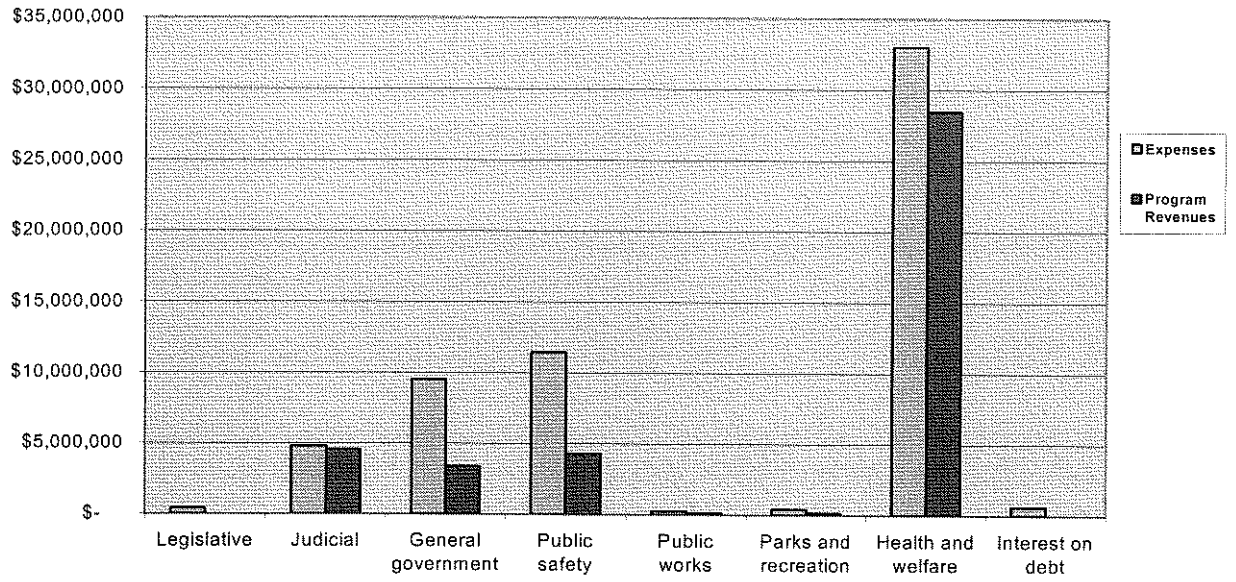
Business-type activities

The business-type activities of the County include enterprise fund operations. The change in business-type activities net assets decreased the County's net assets by \$168,402.

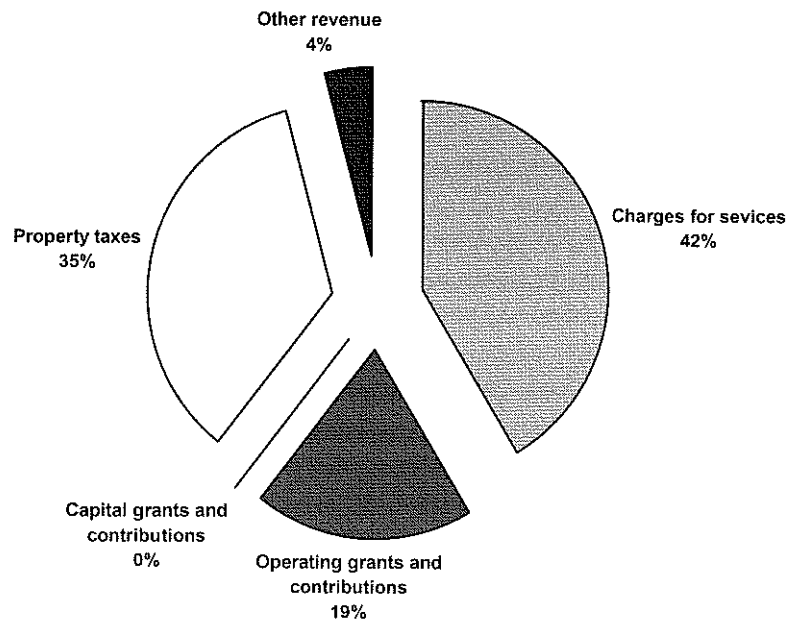
Business-type activities include:

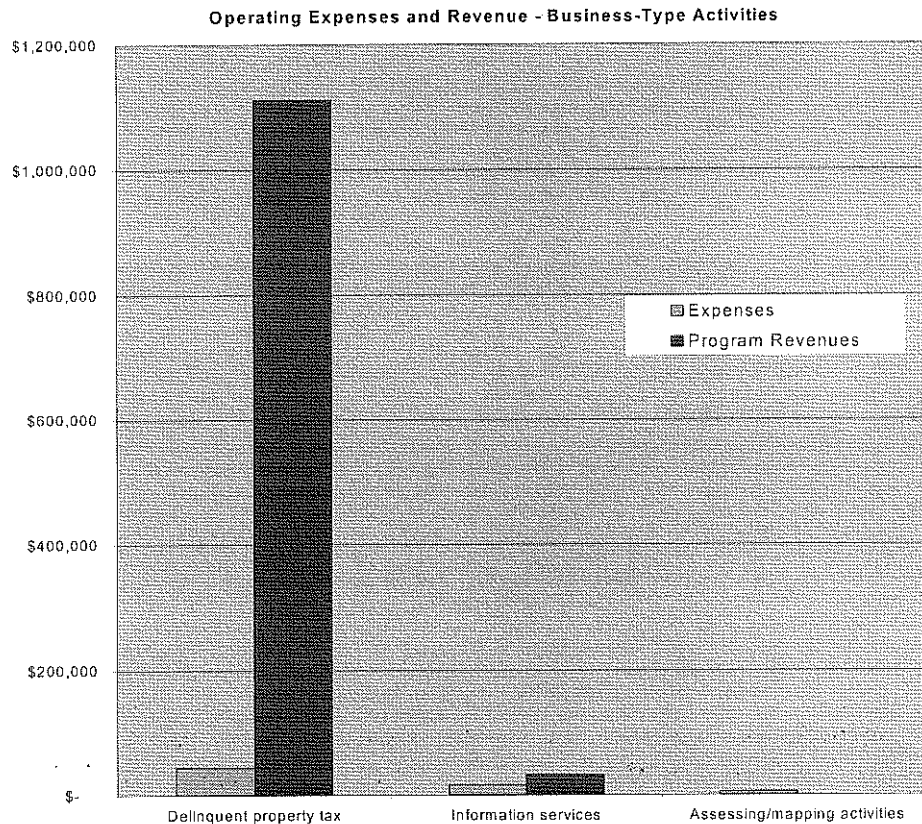
- Delinquent tax revolving fund – This fund was established as a means to provide the local governments within the County's jurisdiction with 100% of the property tax distributions owed to them annually. The County then acts as the collection agency for the outstanding delinquent taxes. Current policy is to maintain cash and investments to fund 100% of the prior year's delinquent tax settlement.
- Information Services Activities fund – This fund was established to account for contracted technology-related services performed by the Information Services department for other local governments. Information Services sells hardware and support for network and personal computer systems to other governments.
- Assessing/Mapping fund - This fund was established to account for revenues and expenses associated with providing tax printing service to the local units of government. These services are generated from within the Equalization Department and provide property tax billing and assessment notices for the local units.

Expenses and Program Revenues - Government Activities



Revenues by Source - Government Activities





Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County *governmental fund statements* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Total unreserved fund balance represented 12% of total annual government expenditures, including transfers, in 2004.

General fund balance decreased slightly by \$45,028 from \$1,509,917 to \$1,464,889 during 2004. Expenditure growth rates were highest in health and welfare and public safety services. *Unreserved fund balance* of \$1,281,963 is available for spending at the County's discretion. The remainder of fund balance is *reserved* for long-term advances to the Drain/DPW component unit (\$180,000) and prepaid expenses (\$2,926).

Central Dispatch fund balance increased by \$608,586 from \$5,840,589 to \$6,449,175 due mainly to the growth in telephone land lines and cell phones. Central dispatch derives its operating funds from a surcharge tax on these communications. Expenditures grew 2% from \$1,925,745 to \$1,969,757, due mainly to increases in salaries and wages for telecommunicators and telecommunicator supervisors and an increase in indirect costs as a result of the construction of a new facility. The entire fund balance of \$6,449,175 is unreserved, although approximately \$1.5 million is designated for the payment of a bond issue for the new facility and the digital 911 800 MHz communications system, \$3.5 million is designated for ongoing maintenance costs for the system over the next 10 years, and approximately \$500,000 is designated for wireless implementation of 911 services according to the restrictions of Public Act 32 of 1986. It is also noteworthy to explain that Central Dispatch is accumulating reserves in anticipation of an upgrade project for mobile computer terminals in public safety vehicles and an automatic public vehicle locator system slated for 2006. The remaining fund balance will aid in funding these projects.

Health Department fund balance has decreased by \$136,056 from \$436,597 to \$300,541. Revenues declined slightly in 2004 by \$86,005 from \$2,295,929 to \$2,209,924, a 4% decrease, which was mainly due to cuts in state funding. Growth in expenses was marginal at 3%, from \$3,221,620 to \$3,329,086.

Mental Health fund balance has increased 10%, due mainly to transfers in from the general fund. Revenue growth was less than 1% from \$16,884,720 to \$16,950,323. Likewise, expenditures remained stagnant from \$17,227,714 to \$17,393,576.

The State of Michigan has mandated that counties accelerate tax collections from December to July. Allegan County instated a special revenue fund used to collect 1/3 of the next three years' tax levies. The money in this fund will be drawn down over the course of the next several years as replacement for the state revenue sharing which was completely eliminated in 2004.

Proprietary funds. The County proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

	2004 Unrestricted Net Assets	2003 Unrestricted Net Assets
Enterprise Funds		
Delinquent Tax Revolving	\$ 16,947,346	\$ 17,126,044
Information Services	56,476	40,280
Assessing/Mapping	-	-
Total	\$ 17,003,822	\$ 17,166,324
 Internal Service Funds	 \$ 1,167,436	 \$ 1,117,727

Other factors considering the finances of these funds have been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Amended budgetary expenditures differed from the originally adopted budget for the following reason:

- Original budget amounts were amended for the settlement of employment contracts.

Significant budget variances existed between the final amended budget and actual amounts. Major variations are summarized as follows:

- Costs related to settling employment contracts in the Court system and the Sheriff's department were higher than originally expected.
- Where feasible, the County left vacancies unfilled in an attempt to save money.
- Extensive repairs were made to both the Jail and Youth Home buildings.
- The County was held liable for a large medical expense related to an arrest during 2004. This amount was taken from the contingency activity.
- As a result of a ruling from the Administrative Law Court, the county's MERS liability for temporary deputies was recalculated, causing a \$170,000 adjustment to retirement expenses in the Sheriff's department. This amount was paid for from the contingency activity.
- Maintenance and utility expenses in the Human Services building were less than expected.

Capital Asset and Debt Administration

- **Capital assets** - A capital asset is an asset whose cost exceeds \$3,000 and useful life is greater than two years. Included in the cost of a capital asset are items such as labor and freight and any other costs associated with bringing the asset into full operation. Assets are depreciated using the straight-line method over the course of their useful lives.

During the year, the County continued work on the 911 Digital Emergency Response System, a project funded by a millage with an estimated total cost of approximately \$7 million. As of December 31, 2004, the system was fully functioning. This system dramatically improves our communications with all emergency response and dispatch entities County-wide, as well as accommodating interoperability with other County and State emergency response agencies.

- **Debt administration** – Debt incurred in the course of constructing or acquiring a capital asset is recorded and paid for from a debt service fund.

The County has three general obligation bonds for their major capital projects this year. The first twenty-year bond issue took place in 1997 for the construction of a new wing on the Medical Care Facility. The second bond issue, Series 2001A, was a 20-year bond issue for the construction of the Health/FIA building in the amount of \$10.8 million. The third bond issue, Series 2001B, was a 4-year bond issue for \$8.3 million for the construction of the Central Dispatch/E911 building and related radio, radio tower, and other infrastructure related to the project.

The County dedicated funds in the Delinquent Tax Revolving Fund for payment of current outstanding bonds.

Allegan County Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 584,315	\$ 687,465	\$ -	\$ -	\$ 584,315	\$ 687,465
Land improvements	1,511,992	1,598,274			1,511,992	1,598,274
Buildings and improvements	21,881,000	16,709,544			21,881,000	16,709,544
Machinery and equipment	2,558,445	2,379,064		5,900	2,558,445	2,384,964
Infrastructure	624,223	634,085			624,223	634,085
Construction in progress	113,086	776,958			113,086	776,958
Total	<u>\$ 27,273,061</u>	<u>\$ 22,785,390</u>	<u>\$ -</u>	<u>\$ 5,900</u>	<u>\$ 27,273,061</u>	<u>\$ 22,791,290</u>

Additional information on the County's capital assets can be found in Note 4 on pages 42-44 of this report.

Long-term debt – debt is classified as long-term if the debt matures in a period greater than one year.

Allegan County Outstanding Debt (General Obligation and Revenue Bonds)

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 10,825,061	\$ 13,657,382	\$ -	\$ -	\$ 10,825,061	\$ 13,657,382
Total	<u>\$ 10,825,061</u>	<u>\$ 13,657,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,825,061</u>	<u>\$ 13,657,382</u>

The County has an "A+" rating from Standard & Poor's. Additional information on the County's long-term debt can be found in Note 8 on pages 49-56 of this report.

Economic Factors and Next Year's Budgets and Rates

- The taxable value of commercial, residential, and personal property increased 6% in the 2004 fiscal year.
- According to the Bureau of Labor Statistics, area unemployment rates range from 5.2% in the Holland-Grand Haven area to 7.0% in the greater Grand Rapids area, the latter is an increase from the prior year's 6.6% rate.
- Population projections indicate 2% population growth to 112,477 during 2004.

In a climate where other counties are seeing their revenues shrink, Allegan County has enjoyed slow but steady economic growth during the last two years, despite the broader economic climate. Much of the county's growth is attributable to its close proximity to other exciting and rapidly expanding metropolitan areas such as Grand Rapids, Holland, Kalamazoo, and the Michigan Lakeshore. The County anticipates slow economic growth to continue throughout 2005 and into 2006. Beyond 2006, the County anticipates growth trends to rise steadily as the economy recovers and the County's population expands.

Requests for Information

This financial report is designed to provide a general overview of the County finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Budget and Finance Department, Allegan County, Michigan, 3283 – 122nd Ave., Allegan, Michigan, 49010. Additional information can be found at our website at www.allegancounty.org.

BASIC FINANCIAL STATEMENTS

ALLEGAN COUNTY

STATEMENT OF NET ASSETS

DECEMBER 31, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Road Commission	Drains/ Public Works
Assets					
Cash and pooled investments	\$ 20,821,377	\$14,922,286	\$35,743,663	\$ 514,482	\$ 899,094
Investments	-	-	-	778,282	705,658
Receivable					
Accounts	1,077,381	23,259	1,100,640	181,985	75,654
Current tax	19,047,566	-	19,047,566	2,318,885	-
Delinquent tax	-	2,276,526	2,276,526	-	-
Interest	-	412,712	412,712	-	-
Assessments	-	-	-	-	2,219,490
Other governments	2,371,503	35,562	2,407,065	2,441,507	15,968,146
Advance to Component unit	180,000	-	180,000	-	-
Prepaid items and other assets	257,700	-	257,700	126,625	-
Inventory	69,534	-	69,534	618,971	-
Capital assets					
Land	584,315	-	584,315	354,525	-
Construction in process	113,086	-	113,086	-	-
Capital assets, net of depreciation	26,575,660	-	26,575,660	42,069,902	3,474,020
Total assets	71,098,122	17,670,345	88,768,467	49,405,164	23,342,062
Liabilities					
Accounts payable	4,051,880	63,098	4,114,978	1,152,363	240,139
Accrued wages	918,580	-	918,580	-	889
Accrued benefits payable	571,574	-	571,574	-	-
Due to other governments	139,757	603,425	743,182	7,836	-
Accrued interest payable	83,319	-	83,319	-	188,030
Accrued compensated absences	1,246,801	-	1,246,801	418,759	-
Advance from primary government	-	-	-	-	180,000
Advance from other governments	45,000	-	45,000	-	-
Unearned revenue	14,332,445	-	14,332,445	2,318,885	34,817
Noncurrent liabilities:					
Due within one year	1,670,000	-	1,670,000	23,599	2,682,841
Due in more than one year	9,155,061	-	9,155,061	197,622	16,085,286
Total liabilities	32,214,417	666,523	32,880,940	4,119,064	19,412,002
Net Assets					
Invested in capital assets, net of related debt	16,648,976	-	16,648,976	42,203,206	2,674,020
Restricted for:					
Debt service	42,570	-	42,570	-	871,828
Capital projects	426,140	-	426,140	-	120,839
Central Dispatch/911	6,449,175	-	6,449,175	-	-
Revenue sharing	3,987,306	-	3,987,306	-	-
Friend of the Court	129,092	-	129,092	-	-
Budget Stabilization	1,897,690	-	1,897,690	-	-
Drug Law Enforcement	124,154	-	124,154	-	-
Law enforcement	20,984	-	20,984	-	-
County roads	-	-	-	3,082,894	-
Unrestricted	9,157,618	17,003,822	26,161,440	-	263,373
Total net assets	\$ 38,883,705	\$17,003,822	\$55,887,527	\$45,286,100	\$ 3,930,060

The accompanying notes are an integral part of these financial statements.

ALLEGAN COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2004

Functions / Programs	Expenses	Indirect Expense Allocation	Program Revenues		Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government					
Governmental activities:					
Legislative	\$ 387,025	\$ -	\$ -	\$ -	\$ -
Judicial	4,799,771	-	2,271,577	2,277,619	-
General government	9,515,668	(971,220)	2,755,450	510,403	102,080
Public safety	11,451,528	187,581	1,799,459	2,488,313	-
Public works	238,545	-	-	113,782	-
Recreation and culture	400,780	-	135,578	-	-
Health	33,020,021	783,639	21,045,512	7,432,350	-
Interest on debt	581,857	-	-	-	-
Total governmental activities	60,395,195	-	28,007,576	12,822,467	102,080
Business-type activities:					
Delinquent property tax	44,763	-	1,111,115	-	-
Information services	16,804	-	33,000	-	-
Assessing/mapping activities	5,900	-	-	-	-
Total business-type activities	67,467	-	1,144,115	-	-
Total primary government	\$60,462,662	\$ -	\$29,151,691	\$ 12,822,467	\$ 102,080
Component units					
Road Commission	\$ 8,345,204	\$ -	\$ 226,162	\$ 9,011,684	\$ 7,353,157
Drains/Public Works	1,943,808	-	-	-	2,111,151
Total component units	\$10,289,012	\$ -	\$ 226,162	\$ 9,011,684	\$ 9,464,308

(Continued)

The accompanying notes are an integral part of these financial statements.

ALLEGAN COUNTY

STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Road Commission	Drains/ Public Works
Changes in net assets					
Net (expense) revenue	\$ (19,463,072)	\$ 1,076,648	\$ (18,386,424)	\$ 8,245,799	\$ 167,343
General revenues:					
Property taxes	23,711,496	-	23,711,496	2,231,533	-
Convention tax	317,595	-	317,595	-	-
Cigarette tax	60,768	-	60,768	-	-
State Shared revenue	673,382	-	673,382	-	-
Unrestricted investment earnings	249,585	308,775	558,360	-	8,289
Gain on sales of capital assets	32,718	-	32,718	71,046	-
Transfers - internal activities	1,553,825	(1,553,825)	-	-	-
Total general revenues and transfers	26,599,369	(1,245,050)	25,354,319	2,302,579	8,289
Change in net assets	7,136,297	(168,402)	6,967,895	10,548,378	175,632
Net assets, beginning of year, as restated	31,747,408	17,172,224	48,919,632	34,737,722	3,754,428
Net assets, end of year	\$ 38,883,705	\$ 17,003,822	\$ 55,887,527	\$ 45,286,100	\$ 3,930,060

(Concluded)

The accompanying notes are an integral part of these financial statements.

ALLEGAN COUNTY

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2004

<u>ASSETS</u>	GENERAL FUND	CENTRAL DISPATCH E911	HEALTH DEPARTMENT	MENTAL HEALTH	REVENUE SHARING RESERVE
ASSETS					
Cash and pooled investments	\$ 978,756	\$ 6,197,944	\$ 95,200	\$ 2,327,408	\$ -
Receivables					
Current Levy Taxes	10,644,500	3,160,252	-	-	5,242,814
Accounts	8,050	281,827	-	273,790	-
Due From Other Funds	1,375,508	-	-	-	-
Due From Other Governmental Units	589,061	42,729	347,541	67,461	-
Advances to Other Funds	-	-	-	-	-
Advance to Component Units	180,000	-	-	-	-
Prepaid Expenditures	2,926	-	-	94,351	-
TOTAL ASSETS	\$ 13,778,801	\$ 9,682,752	\$ 442,741	\$ 2,763,010	\$ 5,242,814
<u>LIABILITIES AND FUND EQUITY</u>					
LIABILITIES					
Accounts Payable	\$ 726,106	\$ 50,653	\$ 88,433	\$ 1,444,964	\$ -
Accrued Wages	371,732	22,672	47,038	276,492	-
Accrued Benefits Payable	571,574	-	-	-	-
Due to Other Funds	-	-	-	-	1,255,508
Due to Other Governmental Units	-	-	6,729	-	-
Advances From Other Funds	-	-	-	-	-
Advances From Other Governmental Units	-	-	-	-	-
Deferred Revenue	10,644,500	3,160,252	-	50,055	-
TOTAL LIABILITIES	12,313,912	3,233,577	142,200	1,771,511	1,255,508
FUND EQUITY					
Fund Balance					
Reserved for					
Long-Term Advances	180,000	-	-	-	-
Prepaid Expenditures	2,926	-	-	94,351	-
Debt Service	-	-	-	-	-
Capital projects	-	-	-	-	-
Revenue sharing	-	-	-	-	3,987,306
Designated for					
Sick and Vacation Reported in Nonmajor Special Revenues Funds	-	-	-	-	-
Parks Reported in Nonmajor Special Revenue Funds	-	-	-	-	-
Unreserved Reported in Nonmajor Special Revenue Funds	-	-	-	-	-
Unreserved	1,281,963	6,449,175	300,541	897,148	-
TOTAL FUND EQUITY AND OTHER CREDITS	1,464,889	6,449,175	300,541	991,499	3,987,306
TOTAL LIABILITIES AND FUND EQUITY	\$ 13,778,801	\$ 9,682,752	\$ 442,741	\$ 2,763,010	\$ 5,242,814

The accompanying notes are an integral part of these financial statements.

OTHER		FUNDS		TOTALS	
\$	9,351,801	\$	18,951,109		
	-		19,047,566		
	513,714		1,077,381		
	499,063		1,874,571		
	1,324,711		2,371,503		
	352,915		352,915		
	-		180,000		
	-		97,277		
\$	12,042,204	\$	43,952,322		

\$	758,806	\$	3,068,962		
	200,646		918,580		
	-		571,574		
	730,662		1,986,170		
	133,028		139,757		
	352,915		352,915		
	45,000		45,000		
	408,104		14,262,911		
	2,629,161		21,345,869		

	352,915		532,915		
	-		97,277		
	42,570		42,570		
	787,055		787,055		
	-		3,987,306		
	1,518,329		1,518,329		
	206,026		206,026		
	6,506,148		6,506,148		
	-		8,928,827		
	9,413,043		22,606,453		
\$	12,042,204	\$	43,952,322		

ALLEGAN COUNTY

*Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets*

DECEMBER 31, 2004

Fund balances - total governmental funds	\$ 22,606,453
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	27,264,997
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An internal service fund is used by management to charge the costs of certain equipment usage and selfinsurance to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service funds	1,167,436
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	(10,825,061)
Deduct - compensated absences payable	(1,246,801)
Deduct - accrued interest on bonds payable	<u>(83,319)</u>

Net assets of governmental activities	<u>\$ 38,883,705</u>
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The accompanying notes are an integral part of these financial statements.

ALLEGAN COUNTY

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2004

	GENERAL FUND	CENTRAL DISPATCH E911	HEALTH DEPARTMENT	MENTAL HEALTH	REVENUE SHARING RESERVE
REVENUES					
Taxes and penalties	\$ 15,415,186	\$ 3,053,496	\$ -	\$ -	\$ 5,242,814
Licenses and Permits	140,795	-	253,472	-	-
Intergovernmental Revenue:					
Federal	1,383,932	-	227,537	625,632	-
State	2,475,589	198,213	675,466	2,469,153	-
Contributions From Local Units	-	-	-	-	-
Charges for Services	3,764,996	1,480,906	646,180	13,018,831	-
Fines and Forfeits	283,998	-	-	-	-
Interest and Rentals	718,364	178,218	-	56,877	-
Other Revenue	1,282,617	182,173	407,269	779,830	-
TOTAL REVENUES	25,465,477	5,093,006	2,209,924	16,950,323	5,242,814
EXPENDITURES					
Current					
Legislative	387,025	-	-	-	-
Judicial	4,769,820	-	-	-	-
General Government	7,480,243	-	-	-	-
Public Safety	7,623,366	1,969,757	-	-	-
Public Works	238,545	-	-	-	-
Health and Welfare	593,564	-	3,329,086	17,393,576	-
Recreation and Cultural	-	-	-	-	-
Other	992,524	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest/Fiscal Charges	-	-	-	-	-
TOTAL EXPENDITURES	22,085,087	1,969,757	3,329,086	17,393,576	-
REVENUES OVER (UNDER) EXPENDITURES	3,380,390	3,123,249	(1,119,162)	(443,253)	5,242,814
OTHER FINANCING SOURCES (USES)					
Transfers In	1,255,508	-	983,106	534,458	-
Transfers (Out)	(4,682,242)	(2,514,663)	-	-	(1,255,508)
Sale of Capital Asset	1,316	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,425,418)	(2,514,663)	983,106	534,458	(1,255,508)
NET CHANGES IN FUND BALANCES	(45,028)	608,586	(136,056)	91,205	3,987,306
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	1,509,917	5,840,589	436,597	900,294	-
FUND BALANCES, END OF YEAR	\$ 1,464,889	\$ 6,449,175	\$ 300,541	\$ 991,499	\$ 3,987,306

The accompanying notes are an integral part of these financial statements.

OTHER FUNDS	TOTALS
\$ -	\$ 23,711,496
-	394,267
1,402,505	3,639,606
2,925,096	8,743,517
685,797	685,797
5,935,871	24,846,784
41,682	325,680
97,349	1,050,808
635,897	3,287,786
11,724,197	66,685,741
-	387,025
59,951	4,829,771
809,504	8,289,747
1,636,897	11,230,020
-	238,545
11,356,333	32,672,559
386,154	386,154
-	992,524
6,284,529	6,284,529
2,850,000	2,850,000
557,862	557,862
23,941,230	68,718,736
(12,217,033)	(2,032,995)
7,515,899	10,288,971
(107,875)	(8,560,288)
137,950	139,266
7,545,974	1,867,949
(4,671,059)	(165,046)
14,084,102	22,771,499
\$ 9,413,043	\$ 22,606,453

ALLEGAN COUNTY

***Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities***

FOR THE YEAR ENDED DECEMBER 31, 2004

Net change in fund balances - total governmental funds \$ (165,046)

Amounts reported for *governmental activities* in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Add - capital outlay	6,319,200
Deduct - loss on sale of capital assets	(106,546)
Deduct - depreciation expense	(1,718,270)

Bond proceeds provide current financial resources to governmental funds in the period
issued, but issuing bonds increases long-term liabilities in the statement of net assets.
Repayment of bond principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	2,850,000
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An internal service fund is used by management to charge the costs of certain
equipment usage to individual governmental funds. The net revenue (expense) of the
fund attributable to those funds is reported with governmental activities.

Add - net operating income from governmental activities in internal service fund	34,933
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Some expenses reported in the statement of activities do not require the use of current
financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in accrued interest payable on bonds	(6,316)
Deduct - Amortization of bond issuance cost	(17,680)
Deduct - increase in the accrual for compensated absences	(53,978)

Change in net assets of governmental activities	<u>\$ 7,136,297</u>
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The accompanying notes are an integral part of these financial statements.

ALLEGAN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes and Penalties	\$ 15,703,749	\$ 15,703,749	\$ 15,415,186	\$ (288,563)
Licenses and Permits	136,310	136,310	140,795	4,485
Intergovernmental Revenue:				
Federal	1,021,000	1,021,000	1,383,932	362,932
State	3,697,710	3,697,710	2,475,589	(1,222,121)
Charges for Services	3,751,692	3,751,692	3,764,996	13,304
Fines and Forfeits	230,775	230,775	283,998	53,223
Interest and Rentals	840,613	840,613	718,364	(122,249)
Other Revenue	1,103,943	1,103,943	1,282,617	178,674
TOTAL REVENUES	26,485,792	26,485,792	25,465,477	(1,020,315)
EXPENDITURES				
Current				
Legislative	386,518	386,518	387,025	(507)
Judicial	4,866,899	4,912,013	4,769,820	142,193
General Government	7,805,411	7,811,340	7,480,243	331,097
Public Safety	7,373,844	7,597,513	7,623,366	(25,853)
Public Works	234,399	234,899	238,545	(3,646)
Health and Welfare	672,049	672,049	593,564	78,485
Other	1,018,531	721,178	992,524	(271,346)
TOTAL EXPENDITURES	22,357,651	22,335,510	22,085,087	250,423
REVENUES OVER (UNDER) EXPENDITURES	4,128,141	4,150,282	3,380,390	(769,892)
OTHER FINANCING SOURCES (USES)				
Transfers In	470,368	470,368	1,255,508	785,140
Transfers (Out)	(4,598,009)	(4,653,712)	(4,682,242)	(28,530)
Sale of Capital Assets	-	-	1,316	1,316
TOTAL OTHER FINANCING SOURCES (USES)	(4,127,641)	(4,183,344)	(3,425,418)	757,926
NET CHANGES IN FUND BALANCES	500	(33,062)	(45,028)	(11,966)
FUND BALANCES, BEGINNING OF YEAR	1,509,917	1,509,917	1,509,917	-
FUND BALANCES, END OF YEAR	\$ 1,510,417	\$ 1,476,855	\$ 1,464,889	\$ (11,966)

The accompanying notes are an integral part of these financial statements.

ALLEGAN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL CENTRAL DISPATCH E911 SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes and Penalties	\$ 3,010,200	\$ 3,010,200	\$ 3,053,496	\$ 43,296
Licenses and Permits	-	-	-	-
Intergovernmental Revenue				
Federal	-	-	-	-
State	184,818	184,818	198,213	13,395
Other Local Units	-	-	-	-
Charges for Services	1,517,836	1,517,836	1,480,906	(36,930)
Fines and Forfeits	-	-	-	-
Interest and Rents	170,000	170,000	178,218	8,218
Other Revenue	24,200	24,200	182,173	157,973
TOTAL REVENUES	4,907,054	4,907,054	5,093,006	185,952
EXPENDITURES				
Current				
Judicial	-	-	-	-
General Government	-	-	-	-
Public Safety	2,032,441	2,034,856	1,969,757	65,099
Health and Welfare	-	-	-	-
Recreation and Cultural	-	-	-	-
Other	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	2,032,441	2,034,856	1,969,757	65,099
REVENUES OVER (UNDER) EXPENDITURES	2,874,613	2,872,198	3,123,249	251,051
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers (Out)	(2,553,943)	(2,553,943)	(2,514,663)	39,280
Sale of Capital Asset	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,553,943)	(2,553,943)	(2,514,663)	39,280
NET CHANGES IN FUND BALANCES	320,670	318,255	608,586	290,331
FUND BALANCES, BEGINNING OF YEAR	5,840,589	5,840,589	5,840,589	-
FUND BALANCES, END OF YEAR	\$ 6,161,259	\$ 6,158,844	\$ 6,449,175	\$ 290,331

The accompanying notes are an integral part of these financial statements.

ALLEGAN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL HEALTH DEPARTMENT SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	243,620	243,620	253,472	9,852
Intergovernmental Revenue				
Federal	208,031	208,031	227,537	19,506
State	714,886	714,886	675,466	(39,420)
Other Local Units	-	-	-	-
Charges for Services	698,931	698,931	646,180	(52,751)
Fines and Forfeits	-	-	-	-
Interest and Rents	2,000	2,000	-	(2,000)
Other Revenue	381,528	381,528	407,269	25,741
TOTAL REVENUES	2,248,996	2,248,996	2,209,924	(39,072)
EXPENDITURES				
Current				
Judicial	-	-	-	-
General Government	-	-	-	-
Public Safety	-	-	-	-
Health and Welfare	3,532,455	3,532,455	3,329,086	203,369
Recreation and Cultural	-	-	-	-
Other	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	3,532,455	3,532,455	3,329,086	203,369
REVENUES OVER (UNDER) EXPENDITURES	(1,283,459)	(1,283,459)	(1,119,162)	164,297
OTHER FINANCING SOURCES (USES)				
Transfers In	1,004,888	1,004,888	983,106	(21,782)
Transfers (Out)	-	-	-	-
Sale of Capital Asset	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,004,888	1,004,888	983,106	(21,782)
NET CHANGES IN FUND BALANCES	(278,571)	(278,571)	(136,056)	142,515
FUND BALANCES, BEGINNING OF YEAR	436,597	436,597	436,597	-
FUND BALANCES, END OF YEAR	\$ 158,026	\$ 158,026	\$ 300,541	\$ 142,515

The accompanying notes are an integral part of these financial statements.

ALLEGAN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL MENTAL HEALTH SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes and Penalties	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue				
Federal	669,745	668,800	625,632	(43,168)
State	2,642,975	2,869,210	2,469,153	(400,057)
Other Local Units	-	-	-	-
Charges for Services	13,171,330	13,239,550	13,018,831	(220,719)
Fines and Forfeits	-	-	-	-
Interest and Rents	94,290	94,290	56,877	(37,413)
Other Revenue	580,430	515,115	779,830	264,715
TOTAL REVENUES	17,158,770	17,386,965	16,950,323	(436,642)
EXPENDITURES				
Current				
Judicial	-	-	-	-
General Government	-	-	-	-
Public Safety	-	-	-	-
Health and Welfare	17,555,710	17,788,705	17,393,576	395,129
Recreation and Cultural	-	-	-	-
Other	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	17,555,710	17,788,705	17,393,576	395,129
REVENUES (UNDER) EXPENDITURES	(396,940)	(401,740)	(443,253)	(41,513)
OTHER FINANCING SOURCES (USES)				
Transfers In	396,940	576,598	534,458	(42,140)
Transfers (Out)	-	-	-	-
Sale of Capital Assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	396,940	576,598	534,458	(42,140)
NET CHANGES IN FUND BALANCES	-	174,858	91,205	(83,653)
FUND BALANCES, BEGINNING OF YEAR	900,294	900,294	900,294	-
FUND BALANCES, END OF YEAR	\$ 900,294	\$ 1,075,152	\$ 991,499	\$ (83,653)

The accompanying notes are an integral part of these financial statements.

ALLEGAN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL REVENUE SHARING RESERVE SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes and Penalties	\$ -	\$ -	\$ 5,242,814	\$ 5,242,814
Licenses and Permits	-	-	-	-
Intergovernmental Revenue				
Federal	-	-	-	-
State	-	-	-	-
Other Local Units	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeits	-	-	-	-
Interest and Rents	-	-	-	-
Other Revenue	-	-	-	-
TOTAL REVENUES	-	-	5,242,814	5,242,814
EXPENDITURES				
Current				
Judicial	-	-	-	-
General Government	-	-	-	-
Public Safety	-	-	-	-
Health and Welfare	-	-	-	-
Recreation and Cultural	-	-	-	-
Other	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
REVENUES OVER EXPENDITURES	-	-	5,242,814	5,242,814
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers (Out)	-	-	(1,255,508)	(1,255,508)
Sale of Capital Asset	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(1,255,508)	(1,255,508)
NET CHANGES IN FUND BALANCES	-	-	3,987,306	3,987,306
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ 3,987,306	\$ 3,987,306

The accompanying notes are an integral part of these financial statements.

ALLEGAN COUNTY

PROPRIETARY FUNDS STATEMENT OF NET ASSETS

DECEMBER 31, 2004

ASSETS	ENTERPRISE FUNDS			TOTAL	INTERNAL SERVICE FUNDS
	DELINQUENT PROPERTY TAX	INFORMATION SERVICES ACTIVITIES	ASSESSING/ MAPPING ACTIVITIES		
CURRENT ASSETS					
Cash and Pooled Investments	\$ 14,865,810	\$ 56,476	\$ -	\$ 14,922,286	\$ 1,870,268
Receivables:					
Accounts	23,259	-	-	23,259	-
Delinquent Taxes Receivable	2,276,526	-	-	2,276,526	-
Interest Receivable	412,712	-	-	412,712	-
Due From Other Funds	-	-	-	-	111,599
Due From Other Governmental Units	35,562	-	-	35,562	-
Prepaid expenses	-	-	-	-	160,423
Property plant and equipment - net	-	-	-	-	8,064
<u>TOTAL ASSETS</u>	<u>17,613,869</u>	<u>56,476</u>	<u>-</u>	<u>17,670,345</u>	<u>2,150,354</u>
<u>LIABILITIES</u>					
CURRENT LIABILITIES					
Accounts Payable	63,098	-	-	63,098	982,918
Due to Other Governments	603,425	-	-	603,425	-
<u>TOTAL LIABILITIES</u>	<u>666,523</u>	<u>-</u>	<u>-</u>	<u>666,523</u>	<u>982,918</u>
<u>NET ASSETS</u>					
Investment in capital assets	-	-	-	-	8,064
Unrestricted net assets	16,947,346	56,476	-	17,003,822	1,159,372
<u>TOTAL NET ASSETS</u>	<u>\$ 16,947,346</u>	<u>\$ 56,476</u>	<u>\$ -</u>	<u>\$ 17,003,822</u>	<u>\$ 1,167,436</u>

The accompanying notes are an integral part of these financial statements.

ALLEGAN COUNTY

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

FOR THE YEAR ENDED DECEMBER 31, 2004

	ENTERPRISE FUNDS				INTERNAL SERVICE FUNDS
	DELINQUENT PROPERTY TAX	INFORMATION SERVICES ACTIVITIES	ASSESSING/ MAPPING ACTIVITIES	TOTAL	
OPERATING REVENUES					
Interest and Penalties on Taxes	\$ 926,931	\$ -	\$ -	\$ 926,931	\$ -
Charges for Services	128,130	33,000	-	161,130	7,112,611
Other income	56,054	-	-	56,054	-
TOTAL OPERATING REVENUES	1,111,115	33,000	-	1,144,115	7,112,611
OPERATING EXPENSES					
Administrative Expense	44,763	16,804	-	61,567	-
Insurance Expense	-	-	-	-	6,896,108
Depreciation Expense	-	-	5,900	5,900	6,712
TOTAL OPERATING EXPENSES	44,763	16,804	5,900	67,467	6,902,820
OPERATING INCOME (LOSS)	1,066,352	16,196	(5,900)	1,076,648	209,791
NONOPERATING REVENUES (EXPENSES)					
Interest Earned on Investments	308,775	-	-	308,775	-
INCOME BEFORE TRANSFERS	1,375,127	16,196	(5,900)	1,385,423	209,791
TRANSFERS					
Transfers (Out)	(1,553,825)	-	-	(1,553,825)	(174,858)
CHANGE IN NET ASSETS	(178,698)	16,196	(5,900)	(168,402)	34,933
NET ASSETS, BEGINNING OF YEAR	17,126,044	40,280	5,900	17,172,224	1,132,503
NET ASSETS, END OF YEAR	\$ 16,947,346	\$ 56,476	\$ -	\$ 17,003,822	\$ 1,167,436

The accompanying notes are an integral part of these financial statements.

ALLEGAN COUNTY

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2004

	ENTERPRISE FUNDS				
	DELINQUENT PROPERTY TAX	INFORMATION SERVICES ACTIVITIES	ASSESSING/ MAPPING ACTIVITIES	TOTAL	INTERNAL SERVICE FUNDS
Cash flows from operating activities:					
Cash received from interfund services provided	\$ -	\$ -	\$ -	\$ -	\$ 7,172,811
Cash received from customers	8,374,784	50,997	-	8,425,781	-
Cash payments to suppliers for goods and services	(391,429)	-	-	(391,429)	-
Cash received from penalties and interest on delinquent taxes	872,146	-	-	872,146	-
Cash payments to employees for services	-	(16,968)	-	(16,968)	-
Cash payments for delinquent tax rolls	(7,280,319)	-	-	(7,280,319)	-
Cash payments for insurance claims	-	-	-	-	(7,340,841)
Net cash provided by (used in) operating activities	1,575,182	34,029	-	1,609,211	(168,030)
Cash flows from noncapital financing activities:					
Transfers to other funds	(1,553,825)	-	-	(1,553,825)	(174,858)
Interfund loans	-	-	(5,900)	(5,900)	-
Net cash (used in) noncapital financing activities	(1,553,825)	-	(5,900)	(1,559,725)	(174,858)
Cash flows from investing activities					
Interest on Investments	308,775	-	-	308,775	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	330,132	34,029	(5,900)	358,261	(342,888)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,535,678	22,447	5,900	14,564,025	2,213,156
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 14,865,810	\$ 56,476	\$ -	\$ 14,922,286	\$ 1,870,268
OPERATING INCOME (LOSS)	\$ 1,066,352	\$ 16,196	\$ (5,900)	\$ 1,076,648	\$ 209,791
Adjustments to Reconcile Operating Income (Loss) to net cash provided by Operating Activities:					
Depreciation expense	-	-	5,900	5,900	6,712
Changes in Operating Assets and Liabilities which provided (used) cash:					
Receivables:					
Delinquent taxes receivable	6,870	-	-	6,870	-
Accounts receivable	(23,259)	17,997	-	(5,262)	-
Interest receivable	(54,786)	-	-	(54,786)	-
Due (to) from other funds	-	-	-	-	60,200
Due from other governmental units	(28,755)	-	-	(28,755)	-
Prepaid expenses	-	-	-	-	(25,648)
Accounts payable	5,335	-	-	5,335	(419,085)
Accrued wages	-	(152)	-	(152)	-
Due to other governmental units	603,425	(12)	-	603,413	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 1,575,182	\$ 34,029	\$ -	\$ 1,609,211	\$ (168,030)

The accompanying notes are an integral part of these financial statements.

ALLEGAN COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2004

<u>ASSETS</u>	
Cash and Pooled Investments	\$ 2,807,680
Investments	<u>347,626</u>
<u>TOTAL ASSETS</u>	<u>\$ 3,155,306</u>
 <u>LIABILITIES</u>	
Due to Other Governmental Units	\$ 1,048,109
Undistributed Tax Collections	1,351,673
Other Trust Items Payable	<u>755,524</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 3,155,306</u>

The accompanying notes are an integral part of these financial statements.

ALLEGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Allegan County (the "County") was organized in 1835 and covers an area of 829 square miles divided into 24 townships, 3 villages and 6 cities. The County seat is located in the City of Allegan. The County of Allegan operates under an elected Board of County Commissioners (11 members) and provides services to its more than 105,665 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

Reporting Entity

The accompanying financial statements present the County (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County.

BLENDED COMPONENT UNIT

The Allegan County Building Authority (the "Building Authority")

The governing board is appointed by the Allegan County Board of Commissioners. The Building Authority's purpose is to finance and construct the County's public buildings. The Building Authority is included as a capital projects and debt service fund in the financial statements. A separate report is not prepared for the Building Authority.

DISCRETELY PRESENTED COMPONENT UNITS

Allegan County Road Commission

The Allegan County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by a 3 member Board of County Road Commissioners appointed by the County Board of Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. The Road Commission's taxes are levied under the taxing authority of the County, as approved by the County electors, and are included as part of the County's total tax levy and reported in the County Road Fund. Complete financial statements of the Road Commission Component Unit can be obtained from its administrative offices at:

*Allegan County Road Commission
1308 Lincoln Road, M-89
Allegan, Michigan, 49010*

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Drain Commission/Department of Public Works

Pursuant to Act 185, Public Acts of 1957, the County of Allegan entered into a program of water supply and sanitary sewer facility construction. The Allegan County Drain Commissioner was appointed as County agent by the Allegan County Board of Commissioners. The County appoints the voting majority to this organization's governing body. The organization is financially dependent on the County related to this organization. These factors result in the Drain Commission/Department of Public Works being reported as a component unit of the County. The County agent manages water supply and sanitary sewer system construction projects that are financed through bonding by the County of Allegan. Pursuant to the Drain Code of 1956, the Drain Commissioner has the responsibility to administer the State Drain Code. The Allegan County Drain Commissioner is responsible for planning, developing and maintaining surface water drainage systems within the County. The Drain Commissioner as County agent may issue debt or levy a tax as authorized by the Drain Code without approval of the County Board of Commissioners. A separate report is not prepared for the Drain Commission/Department of Public Works.

Funds with Other Year Ends

The financial statements of the Mental Health Special Revenue and the Mental Health Self Insurance Fund have been included in the accompanying 2004 financial statements using their fiscal year ended September 30, 2004.

Interfund balances, due to/from account balances, indirect expense allocations, as well as operating transfers, may not agree across all funds due to the different year ends reported in these funds.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* are charged based upon a County-wide cost allocation plan which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of the year for which they were levied, the Delinquent Tax Revolving Fund pays the County for any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement based grants. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Central Dispatch E911 Fund – This fund is used to account for revenue collected and operational expenses for emergency dispatching in Allegan County.

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Health Department Fund – This fund is used to account for cost or activities performed by the Health Department as well as related funding sources.

Mental Health Fund – This fund is used to account for monies to provide mental health services within the County. Monies are provided by Federal, State, and County appropriations, contributions, and charges for services.

Revenue Sharing Reserve – This fund is used to account for the shift in property tax due dates which has resulted in additional tax revenue. These additional revenues are replacing general fund state shared revenue as required by state law.

The County reports the following major enterprise funds:

Delinquent Property Tax Fund – This Fund is used to pay each local governmental unit, including the County General Fund, the respective amount of real property taxes not collected as of March 1 of each year. Financing is provided by subsequent collection of delinquent property taxes by the County Treasurer.

Information Services Activities Fund – This fund is used to account for the revenues and expenses associated with providing information services to outside entities.

Assessing/Mapping Activities Fund – This fund is used to account for the revenues and expenses associated with providing assessing and mapping services to outside entities.

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for revenue from specific revenue sources (other than major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the Building Authority.

Capital Projects Fund – This fund is used to account for financing and construction of County facilities by the Building Authority.

Internal Service Funds account for equipment purchases and insurance coverage provided to County departments on a cost reimbursement basis.

Agency Funds are used to account for assets held on behalf of outside parties, including other governments, including library penal fines.

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government. Elimination of these charges would distort costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are interest and penalties on delinquent taxes and charges for services provided. The principal operating revenues of the County's internal service funds are charges to County departments for equipment amortization and insurance coverage. Operating expenses for the enterprise funds consist of administrative expenses. Operating expenses for the internal service funds include the cost of services (including claims), administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgets and Budgetary Accounting (Primary Government)

A budget is adopted by the Board of Commissioners in accordance with Michigan Public Act 621 of 1978, the Uniform Budgeting and Accounting Act, for the general, special revenue and debt service funds. The Board amends the budget as necessary during the year. The budget is adopted on the modified accrual basis of accounting consistent with the actual financial statements for these funds. The budget is adopted at the activity level and control is exercised at the activity level for the General Fund, Special Revenue and Debt Service Funds. The County Finance Director is authorized to transfer budget amounts for line items within activities without formal Board approval. The Board must approve any amendments at the activity level (department) for the General Fund and other budgeted funds.

All budget appropriations lapse at the end of each fiscal year unless specific Board action is taken. All budgetary presentations include original and amended budgets.

Budgets and Budgetary Accounting - Road Commission (Component Unit)

Budgetary procedures are established pursuant to Michigan Public Act 621, PA 1978, as amended, (MCL 141.421) which requires the County Board of Road Commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Road Commission's chief financial officer prepares and submits a proposed operating budget to the Board of Road Commissioners for its review and consideration. The Board does not conduct a public budget hearing; however, the budget is submitted to the County, and included in its public hearing. The budget is amended as necessary during the year,

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and is approved by the Board. The budget is prepared on the modified accrual basis of accounting, which is the same basis utilized for the fund financial statements.

Cash and Pooled Investments

The County maintains a cash and investment pool that is available for use by select funds. Each fund's allocation of this pool is reported on the fund and government-wide statements as cash and pooled investments. For purpose of the statement of cash flows, the County considers all assets held in the cash and investment pool to be cash equivalents because the investments are not identifiable to specific funds and the assets can be withdrawn at any time, similar to a demand deposit account.

Investments

The County's investments consist primarily of certificates of deposit, money market accounts, commercial paper, government securities and mutual funds. Investments are carried at fair value.

Taxes Receivable-Current

The County property tax is levied on each December 1st on the taxable valuation of property located in the County as of the preceding December 31st. The property taxes become a lien on December 1 and are due in full on March 1 of the year following the levy. They are substantially collected and are recorded as revenues during the year following the levy.

Although the County's 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the County's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of the County's operations.

Special Assessments Receivable

The Drain/DPW component unit has special assessments recorded in the amount of \$2,219,490. The DPW special assessments receivable are recorded with an offsetting credit to deferred revenue on the fund statements as the balance does not represent expendable available financial resources. Special assessments have been recorded on the accrual basis on the government-wide financial statements. Of the special assessment balance, \$748,840 is expected to be collected within one year while the remaining balance is long-term.

Delinquent Taxes Receivable

The delinquent taxes receivable, which are recorded in the internal service funds, consist of unpaid balances of delinquent real property taxes which were purchased from all of the taxing units in Allegan County by the County's delinquent tax fund.

Due To/From

During the course of operations, numerous transactions occur between individual funds and/or between the primary government and component units for goods provided or services rendered. These receivables and payables are classified as "due from other funds/component units" or "due to other funds/component units" on the fund balance sheets.

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Internal Balances

Any residual balances outstanding between the governmental activities and business-type activity are reported in the government-wide financial statements as "internal balances."

Advances to Other Funds

Noncurrent portions of long-term interfund loans receivable in governmental funds are reported as advances and are offset by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

Inventories

Road Commission (component unit) inventories are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations, as used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond a fund's fiscal year-end are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The capitalization threshold for infrastructure is \$25,000. Capital other than infrastructure assets are defined by the government as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair value on the date received. The amount reported for infrastructure includes only assets added since December 31, 2000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on the capital assets (including infrastructure) of the primary government, as well as the component units, is computed using the straight-line or sum-of-the-years digits method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings	30-50
Public domain infrastructure	8-50
Equipment	5-10

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Long-term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Other Financing Sources (Uses)

The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

Reserves and Designations of Fund Balance/Restricted Net Assets

Reservations of fund balance are established to identify (1) third party claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or (3) the existence of assets that are legally restricted to a future use.

Designations of fund balance are established to identify amounts set aside by the Board for future expenditures.

Restricted net assets represent assets which are legally restricted by outside parties or enabling legislation.

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Budget Violations

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. The approved budgets of the County for all budgetary funds were adopted at the department (activity) level.

Primary Government

During the year ended December 31, 2004, expenditures were incurred in excess of the amounts appropriated in the amended budget of the general fund and special revenue fund types of the primary government as follows:

	Amended Budget	Actual	Variance
General Fund			
Board of Commissioners	\$ 386,518	\$ 387,025	\$ (507)
Circuit Court	1,248,639	1,263,569	(14,930)
Probation-Circuit Court	4,530	4,637	(107)
Auditing Services	42,500	47,690	(5,190)
Cooperative Extension	218,688	219,021	(333)
Information Systems Administration	-	41	(41)
Animal Shelter Building	10,627	11,561	(934)
Courthouse Building	332,249	338,266	(6,017)
Community Mental Health - ADAP Building	10,354	10,907	(553)
Community Mental Health - Administration Building	16,861	21,616	(4,755)
Jail Building	281,705	312,228	(30,523)
Dumont Lake Complex	29,923	45,271	(15,348)
Drain Commissioner	269,854	304,935	(35,081)
Sheriff	3,455,826	3,568,984	(113,158)
WEMET--Sheriff	75,388	86,006	(10,618)
Secondary Road Patrol Program	252,243	257,506	(5,263)
Detective Bureau	592,905	618,559	(25,654)
Sheriff--Radio	45,020	48,757	(3,737)
Marine Law Enforcement	107,110	110,028	(2,918)
Jail	2,620,551	2,661,870	(41,319)
Monumentation Program	73,499	78,158	(4,659)
Veterans' Burial	17,363	27,337	(9,974)
Employees' Fringe Benefits	23,000	42,597	(19,597)
Contingencies	243,092	509,195	(266,103)
Transfer Out - Child Care Probate Fund	2,449,684	2,500,000	(50,316)

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS (CONTINUED)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Special Revenue Funds			
Revenue Sharing Reserve			
Transfers Out	\$ -	\$ 1,255,508	\$(1,255,508)
Parks			
Recreation and Culture	364,009	380,154	(22,145)
Transportation Grant			
General Government	607,202	631,811	(24,609)
Register of Deeds Special Automation			
General Government	-	610	(610)
Law Enforcement Training			
Public Safety	12,500	17,446	(4,946)
Grand Administration			
General Government	29,591	30,492	(901)
Public Safety Grant			
Public Safety	564,165	670,010	(105,845)
Child Care Probate			
Health and Welfare	5,190,895	5,309,636	(118,741)
Child Care Welfare			
Health and Welfare	500	562	(62)
Veterans' Trust			
Health and Welfare	13,176	15,682	(2,506)
Debt Service			
Principal	2,800,000	2,850,000	(50,000)
Interest	428,943	557,862	(128,919)

NOTE 3: DEPOSITS AND INVESTMENTS

The captions on the statement of net assets related to deposits and investments are as follows:

	<u>Cash and Pooled Investments</u>	<u>Investments</u>	<u>Total</u>
Primary Government			
Governmental Activities	\$20,821,377	\$ -	\$ 20,821,377
Business-type Activities	14,922,286	-	14,922,286
Agency Funds	2,807,680	347,626	3,155,306
Component Units			
Road Commission	514,482	778,282	1,292,764
Drains/Public Works	899,094	705,658	1,604,752
	<u>\$39,964,919</u>	<u>\$1,831,566</u>	<u>\$41,796,485</u>

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

At year-end, the carrying amount of County deposits was \$11,780,925 and the bank balance of \$13,267,655 was classified as to risk as follows:

	<u>Bank Balance</u>
Insured	\$ 512,767
Uninsured – Uncollateralized	<u>12,754,888</u>
	<u>\$13,267,655</u>

Investments

Statutes authorize the County to invest in the following:

- Bonds, securities, and other direct obligations and repurchase agreements of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than two standard rating services and which matures not more than 270 days after the day of purchase.
- Bankers acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles which are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The County's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. Fair value is the fair value of securities held by the County.

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

The County's investments are in accordance with statutory authority as follows:

	Category			Carrying Amount	Fair Value
	1	2	3		
Government securities	\$14,011,875	\$ -	\$ -	\$14,011,875	\$14,011,875
Uncategorized as to risk:					
Mutual funds				15,385,135	15,385,135
Total investments				\$29,397,010	\$29,397,010

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

Primary Government

Governmental activities:	Beginning of Year	Increases	Decreases	End of Year
Capital assets, not being depreciated:				
Land	\$ 687,465	\$ -	\$(103,150)	\$ 584,315
Construction in progress	776,958	113,086	(776,958)	113,086
Total capital assets, not being depreciated:	1,464,423	113,086	(880,108)	697,401
Capital assets, being depreciated:				
Land improvements	1,781,646	30,860	-	1,812,506
Buildings and improvements	23,111,576	5,924,845	(5,258)	29,031,163
Machinery and equipment	6,828,595	1,019,914	(473,330)	7,375,179
Infrastructure	771,768	7,454	-	779,222
Total capital assets, being depreciated	32,493,585	6,983,073	(478,588)	38,998,070
Less accumulated depreciation for:				
Land improvements	(183,372)	(117,142)	-	(300,514)
Buildings and improvements	(6,402,032)	(751,356)	3,225	(7,150,163)
Machinery and equipment	(4,449,531)	(839,168)	471,965	(4,816,734)
Infrastructure	(137,683)	(17,316)	-	(154,999)
Total accumulated depreciation	(11,172,618)	(1,724,982)	475,190	(12,422,410)
Net capital assets, being depreciated	21,320,967	5,258,091	(3,398)	26,575,660
Net governmental activities capital assets	\$22,785,390	\$5,371,177	\$(883,506)	\$27,273,061
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$5,900	\$ -	\$ -	\$5,900
Less accumulated depreciation for:				
Machinery and equipment	-	(5,900)	-	(5,900)
Net business-type activities capital assets	\$5,900	\$(5,900)	\$ -	\$ -

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 307,927
Public safety	407,945
Health and welfare	987,772
Culture and recreation	14,626
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>6,712</u>

Total depreciation expense – governmental activities **\$1,724,982**

Discretely Presented Component Units

Activity for the capital assets of the Road Commission for the year ended December 31, 2004, were as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Capital assets, not being depreciated:				
Land and improvements	<u>\$10,971,450</u>	<u>\$4,147,548</u>	<u>\$ 7,511</u>	<u>\$15,111,487</u>
Total capital assets, not being depreciated	<u>10,971,450</u>	<u>4,147,548</u>	<u>7,511</u>	<u>15,111,487</u>
Capital assets, being depreciated:				
Buildings	<u>2,448,458</u>	<u>-</u>	<u>-</u>	<u>2,448,458</u>
Machinery and equipment	<u>9,241,929</u>	<u>791,016</u>	<u>235,428</u>	<u>9,797,517</u>
Infrastructure	<u>17,536,196</u>	<u>7,749,809</u>	<u>-</u>	<u>25,286,005</u>
Total capital assets, being depreciated	<u>29,226,583</u>	<u>8,540,825</u>	<u>235,428</u>	<u>37,531,980</u>
Less accumulated depreciation for:				
Buildings	<u>701,130</u>	<u>50,350</u>	<u>-</u>	<u>751,480</u>
Machinery and equipment	<u>6,977,467</u>	<u>938,925</u>	<u>235,428</u>	<u>7,680,964</u>
Infrastructure	<u>841,256</u>	<u>945,340</u>	<u>-</u>	<u>1,786,596</u>
Total accumulated depreciation	<u>8,519,853</u>	<u>1,934,615</u>	<u>235,428</u>	<u>10,219,040</u>
Net capital assets, being depreciated	<u>20,706,730</u>	<u>6,606,210</u>	<u>-</u>	<u>27,312,940</u>
Net component unit capital assets	<u>\$31,678,180</u>	<u>\$10,753,758</u>	<u>\$ 7,511</u>	<u>\$42,424,427</u>

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation expense of \$1,934,615 and \$70,269 was recognized by the Road Commission and Drains/Public Works governmental activities, respectively.

Activity for the capital assets of the Drains/Public Works for the year ended December 31, 2004, were as follows:

	Beginning of Year	Increases	Decreases	End of Year
Capital assets, being depreciated:				
Machinery and equipment	\$ 17,500	\$ -	\$ -	\$ 17,500
Infrastructure	3,104,050	527,325	-	3,631,375
Total capital assets, being depreciated	3,121,550	527,325	-	3,648,875
Less accumulated depreciation for:				
Machinery and equipment	14,585	2,915	-	17,500
Infrastructure	87,086	70,269	-	157,355
Total accumulated depreciation	101,671	73,184	-	174,855
Net capital assets, being depreciated	3,019,879	454,141	-	3,474,020
Net component unit capital assets	\$3,019,879	\$454,141	\$ -	\$3,474,020

NOTE 5: EMPLOYEES' RETIREMENT SYSTEMS

PRIMARY GOVERNMENT

Defined Benefit Plan Description

The County's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The County participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Michigan Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy

The County is required to contribute at an actuarially determined rate; the current rate is from 0% to 25.11% of annual covered payroll depending on employee position and valuation division. County employees are required to contribute 4.0% to 8.09% of their annual covered payroll based on their classification or contract. The contribution requirements of the County are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the County, depending on the MERS contribution program adopted by the County.

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 5: EMPLOYEES' RETIREMENT SYSTEMS (CONTINUED)

Annual Pension Cost

For the year ended December 31, 2004, the County's annual pension cost of \$706,032 for MERS was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment of 20% of the difference between assumed earnings and market value (5 year smoothing) to reflect fair value. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

PRIMARY GOVERNMENT (CONTINUED)

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/02	\$443,588	100%	\$ -
12/31/03	576,336	100	-
12/31/04	706,032	100	-

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Fund Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/01	\$28,279,101	\$31,830,461	\$3,551,360	89%	6,999,127	51%
12/31/02	28,704,334	34,038,334	5,334,400	84	7,094,214	75
12/31/03	30,445,166	36,656,074	6,210,908	86	7,201,641	86

Defined Contribution Plan – The County's defined contribution plan is offered through MERS and administered by ICMA; benefit provisions and contribution requirements are established and may be amended by the Allegan County Board of Commissioners. The County makes contributions of 4% of each participants salary and will match up to 100% of employee contributions up to an additional 2% of salary. Total contributions for the year were \$1,010,359, (\$223,432 employee and \$786,927 employer).

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 5: EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

COMMUNITY MENTAL HEALTH SERVICE FUND

Defined Benefit Plan Description – The Mental Health's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Mental Health participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Michigan Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy – Mental Health is required to contribute at an actuarially determined rate; the current rate is 0.0% of annual covered payroll. Employees are also required to contribute 4.0%. The contribution requirements of Mental Health are established, and may be amended, by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Mental Health Board, depending on the MERS contribution program adopted by the Mental Health Board.

Annual Pension Cost – During the year ended September 30, 2004, Mental Health made contributions to the plan totaling \$0 which were based on actuarial projections of funding requirements. The actual contributions were equal to required contributions and the annual pension cost. Employee contributions for the same period were \$17,747.

Additional historical information is not available for the Mental Health's participation in MERS because a separate actuarial valuation has not been completed. The actuarial data is included in Allegan County's valuation.

Defined Contribution Plan

The Board's Mental Health defined contribution plan is offered through MERS and administered by ICMA. Benefit provisions and contribution requirements are established and may be amended by Allegan County Community Mental Health Board. The Board makes contributions of 4% of each participants salary and will match 100% up to an additional 2% of salary. Employees may make voluntary contributions up to 17% of their salary. The covered payroll for the Plan was approximately \$4,910,000. Total contributions for the year ended September 30, 2004, were \$413,263 (\$129,491 employee and \$283,772 employer, 2.6 percent and 5.8 percent of covered payroll, respectively).

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 5: EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

ROAD COMMISSION – COMPONENT UNIT

Plan Description

The Allegan County Road Commission is in an agent multi-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2% times the final average compensation (FAC). The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2002.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Michigan Public Act 427 of 1984, sections of which have been approved by the State Pension Commission, which also establish and amend benefit provision. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, and requires employees to contribute 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200. The employees contributed \$132,642 during 2003 based on the 2001 actuarially determined rate.

Annual Pension Cost

During the year ended December 31, 2003, the Road Commission was required to make \$28,021 in contributions as determined by an actuarial valuation of the plan as of December 31, 2001. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfounded actuarial accrued liability over 30 years on an open basis. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

ALLEGAN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 5: EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Three Year Trend Information

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	\$118,681	100%	\$ -
2002	127,372	100	-
2003	160,663	100	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Overfunded AAL (OAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>OAAL as a Percent of Covered Payroll</u>
12/31/01	\$12,483,042	\$11,221,940	\$(1,261,102)	111%	\$2,497,177	-%
12/31/02	12,355,498	12,370,024	14,526	100	2,685,007	1
12/31/03	12,761,760	12,914,970	153,210	99	2,762,714	6

NOTE 6: COMPENSATED ABSENCES

Primary Government

Accrued Vacation and Sick Leave Payable

The accumulated vested paid time off of the employees of various County departments was \$1,061,029 at December 31, 2004. The entire balance of the sick and vacation liability special revenue fund has been designated to fund future sick and vacation liabilities. The statement of net assets also includes the Medical Care Facility's compensated absences balance.

Road Commission (Component Unit)

Vacation and Sick Leave Policies

Employees with 6 months of seniority are granted leave time of 16 hours per month. Office employees get an additional 16 hours per year at January 1. This leave time may be used to cover absences because of illness or vacation. Such leave may be accumulated to a maximum of 768 hours.

On the first payday of June each year, employees are paid an amount equal to all leave accrued in excess of 576 hours as shown in the records on December 31 of the preceding year.

Accumulated leave time is payable in full upon resignation or retirement. Office employees leave time is payable in full upon resignation, termination or retirement.

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 7: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Component Unit

The Road Commission provides postemployment health care benefits, in accordance with labor contracts and personnel policy, to all employees who retire from the Road Commission with 20 or more years of service. All retired employees contribute the cost of their health care insurance coverage in accordance with the terms and conditions as applicable to them as of their last date of active service with the Road Commission (either \$6 or 3.5% or 4% of premium). Full premium, less employee portion of medical benefits for the retired employees from the ages of 60 through 64 years old, (or 55 years old if they begin to receive MERS retirement) is paid by the Road Commission. When the retired employee attains the age of 65 years, the employer's contribution shall end under the contracts. Various other provisions of the program are also applicable. At year end 7 retirees meet the program requirements. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due. During the year, expenditures of \$25,109 were recognized for post employment health care by the Road Commission.

NOTE 8 LONG/SHORT-TERM DEBT

The individual long-term debt and other long-term obligations of Allegan County, and the changes therein, are summarized as follows:

	<u>Balance 1/1/04</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balance 12/31/04</u>	<u>Due within One Year</u>
<u>Governmental Activities:</u>					
Limited Tax General Obligation Bond dated December 1, 1997 for \$1,375,000, maturing serially to 2018 in annual amounts ranging from \$25,000 to \$125,000, and bearing interest at rates ranging 4.5 to 5.25% for Allegan County Building Authority.	\$ 1,225,000	\$ -	\$ (50,000)	\$ 1,175,000	\$ 50,000
2001A Limited Tax General Obligation Bond dated June 1, 2001 for \$10,800,000, maturing serially to 2021 in annual amounts ranging from \$350,000 to \$1,625,000 and bearing interest at rates ranging from 4.5 to 5.25% for Allegan County Building Authority.	8,915,000	-	(350,000)	8,565,000	375,000
2001B Limited Tax General Obligation Bond dated September 1, 2001 for \$8,295,000 maturing serially to 2005 in annual amounts ranging from \$1,245,000 to \$2,250,000 and bearing interest at rates ranging from 4.125 to 4.250% for Allegan County Building Authority.	3,695,000	-	(2,450,000)	1,245,000	1,245,000
Compensated absences	1,192,823	552,698	(498,720)	1,246,801	-
Total Long-Term Debt – Governmental Activities	15,027,823	552,698	(3,348,720)	12,231,801	<u>\$1,670,000</u>
Unamortized discounts	(177,618)	-	17,679	(159,939)	
Net Long-Term Debt – Governmental Activities	<u>\$14,850,205</u>	<u>\$552,698</u>	<u>\$(3,331,041)</u>	<u>\$12,071,862</u>	

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8: LONG/SHORT-TERM DEBT (CONTINUED)

COMPONENT UNITS

<u>Drain/DPW Component Unit</u>	<u>Balance 1/1/04</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balance 12/31/04</u>	<u>Due within One Year</u>
Bonds Payable					
Revenue Bonds dated September 1, 1977 for \$2,150,000, maturing serially to 2005 in annual amounts ranging from \$10,000 to \$125,000, and bearing interest at rates ranging from 5 to 7% for Sewage Disposal System No.5/ Saugatuck-Douglas.	\$ 250,000	\$ -	\$ (125,000)	\$125,000	\$125,000
Limited Tax General Obligation Bond dated November 1, 1995, for \$925,000, maturing serially to 2014 in annual amounts ranging from \$25,000 to \$75,000, and bearing interest at rates ranging from 4.2 to 6.5% for Sanitary Sewer System No.13/City of Saugatuck.	650,000	-	(50,000)	600,000	50,000
Limited Tax General Obligation Bond dated November 1, 1995, for \$3,525,000 maturing serially to 2015 in annual amounts ranging from \$50,000 to \$225,000, with interest ranging from 4.5 to 7.5% for Casco-South Haven Wastewater Treatment System Bonds. Refunded in 2004.	2,650,000	-	(2,650,000)	-	-
Limited Tax General Obligation Bond dated August 3, 2004, maturing serially to 2016 in annual amounts ranging from \$35,000 - \$60,000, with interest ranging from 2-4.125% for Otsego Township Water Supply and Sewage Disposal No. 3.	-	645,000	-	645,000	35,000
Limited Tax General Obligation Bond dated August 1, 1995 for \$665,000, maturing serially to 2015 in annual amounts ranging from \$5,000 to \$25,000, with interest ranging from 4.25 to 6.1% for Sanitary Sewer System No.12/Township of Allegan.	435,000	-	(50,000)	385,000	75,000
Limited Tax General Obligation Bond dated March 1, 1996 for \$1,200,000, maturing serially to 2016 in annual amounts ranging from \$25,000 to \$100,000, and bearing interest at rates ranging from 4.9 to 7.9% for Otsego Township Water Supply and Sewage Disposal System No. 3. Refunded in 2004.	1,000,000	-	(1,000,000)	-	-
Limited Tax General Obligation Bond dated April 1, 1997 for \$1,140,000, maturing serially to 2017 in annual amounts from \$25,000 to \$75,000, and bearing interest at rates ranging from 4.5 to 6.5% for Casco-South Haven Water Supply System. Partially refunded in 2004.	965,000	-	(865,000)	100,000	50,000

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8: LONG/SHORT-TERM DEBT (CONTINUED)

	Balance 1/1/04	Additions	(Deductions)	Balance 12/31/04	Due within One Year
<u>Drain/DPW Component Unit (Continued)</u>					
Bonds Payable (Continued)					
Limited Tax General Obligation Refunding Bonds dated September 22, 2004 for \$3,410,000 maturing serially to 2017 in annual amounts ranging from \$70,000 - \$235,000, and bearing interest at rates ranging from 2.75-4% for CASC – South Haven Wastewater Treatment water supply.	\$ -	\$3,410,000	\$ -	\$3,410,000	\$235,000
Limited Tax General Obligation Bond dated March 1, 2002 for \$1,370,000 maturing serially to 2041 in annual amounts ranging from \$10,000 to \$55,000 with an interest rate of 4.75% for Martin Village Water Supply System.	1,325,970	-	(10,000)	1,315,970	10,000
Limited Tax General Obligation Bond dated October 1, 1998 for \$1,550,000, maturing serially to 2020 in annual amounts ranging from \$25,000 to \$125,000, and bearing interest at rates ranging from 3.9 to 6.9% for Sewage Disposal System No. 15 / City of Wayland.	1,450,000	-	(50,000)	1,400,000	50,000
Limited Tax General Obligation Bond dated July 1, 1998 for \$5,830,000, maturing serially to 2012 in annual amounts ranging from \$225,000 to \$500,000 and bearing interest ranging from 4.25 to 4.3% for Door-Leighton Sewage Disposal System.	4,500,000	-	(500,000)	4,000,000	500,000
Limited Tax General Obligation Bonds dated May 1, 1999 for \$1,575,000, maturing serially to 2020 in annual amounts ranging from \$25,000 to \$125,000, and bearing interest ranging from 4.75 to 5.625% for Sewage Disposal System #15 (Wayland).	1,475,000	-	(50,000)	1,425,000	50,000
Sewage Disposal System Bonds dated April 15, 1999 for \$1,395,000, maturing serially to 2018 in annual amounts ranging from \$50,000 to \$100,000, and bearing interest ranging from 4.20 to 4.80% for extension of the Fillmore Township System.	1,175,000	-	(50,000)	1,125,000	50,000
Drain District Bonds dated December 1, 1999 for \$400,000, maturing serially to 2004 in annual amounts of \$100,000, and bearing interest ranging from 4.3 to 4.8% for the Glenn Shores Drain.	100,000	-	(100,000)	-	-
Drain District Bond dated July 15, 2000 for \$970,000, maturing serially to 2005 in amounts ranging from \$170,000 to \$200,000, and bearing interest ranging from 4.4 to 4.8% for the Byron Dorr Inter County Drain.	400,000	-	(200,000)	200,000	200,000

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8: LONG/SHORT-TERM DEBT (CONTINUED)

	Balance 1/1/04	Additions	(Deductions)	Balance 12/31/04	Due within One Year
<u>Drain/DPW Component Unit (Continued)</u>					
Bonds Payable (Continued)					
Limited Tax General Obligation Bonds dated March 8, 2000 for \$1,375,000, maturing serially to 2020 in annual amounts ranging from \$25,000 to \$125,000, and bearing interest ranging from 4.7 to 6% for Otsego Township Water Supply & Sewer Disposal System #3, Otsego Township.	\$1,325,000	\$ -	\$(25,000)	\$1,300,000	\$ 25,000
Limited Tax General Obligation Bonds dated October 1, 2001 for \$855,000, maturing serially to 2011 in annual amounts ranging from \$85,000 to \$90,000, and bearing interest at 3.75% for McConnell Drain Bonds.	685,000	-	(85,000)	600,000	85,000
Total Drain/DPW Bonds Payable	18,385,970	4,055,000	5,810,000	16,630,970	1,540,000
Drain Notes Payable					
Drain District note dated August 27, 2003 for \$300,000 maturing in 2008 plus interest at 3.0% for the Gudith Drainage District.	300,000	-	(60,000)	240,000	60,000
Drain District note dated July 10, 2000 for \$128,609 maturing in 2005 in annual amounts of \$25,722 plus interest at 5.37% for the 737 Pearl Street Drainage District.	51,443	-	(25,722)	25,721	25,721
Drain District note dated November 28, 2000 for \$267,925 maturing in 2007 in annual amounts of \$38,275 plus interest at 5.49% for the 214 Gilbert-Wademan Drain Drainage District.	153,100	-	(38,275)	114,825	38,275
Drain District note dated June 1, 2001 for \$23,605 maturing in 2004 in annual amounts of \$7,868 plus interest at 3.90% for the 2001 Damouth Drain Drainage District.	7,869	-	(7,869)	-	-
Drain District note dated June 1, 2001 for \$13,051 maturing in annual amounts of \$4,350 plus interest at 3.90% for the 2001 Overhiser-Spencer Drain Drainage District.	4,351	-	(4,351)	-	-
Drain District note dated June 15, 2001 for \$182,168 maturing in 2008 in annual amounts of \$26,024 plus interest at 4.27% for the 2001 Kelly Lake Inter County Drainage District.	130,120	-	(26,024)	104,096	26,024
Drain District note dated July 17, 2003 for \$9,560 maturing in 2005 plus interest at 2.18% for the 2003 Parker Inter County Drainage District.	9,560	-	(4,780)	4,780	4,780

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8: LONG/SHORT-TERM DEBT (CONTINUED)

<u>Drain/DPW Component Unit (Continued)</u>	<u>Balance 1/1/04</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balance 12/31/04</u>	<u>Due within One Year</u>
Drain Notes Payable (Continued)					
Drain District note dated August 18, 2003 for \$44,904 maturing in 2006 plus interest at 2.0% for the 2003 Estes & Extension Drainage District.	\$ 44,904	\$ -	\$(14,968)	\$ 29,936	\$ 14,968
Drain District note dated August 22, 2003 for \$18,794 maturing in 2005 plus interest at 2.0% for the 2003 Bisbee Intercounty Drainage District.	18,794	-	(9,397)	9,397	9,397
Drain District note dated December 18, 2003 for \$300,000 maturing in 2005 plus interest at 1.99% for the 2003 Bear Swamp Drainage District.	300,000	-	-	300,000	300,000
Drain District note dated December 22, 2003 for \$2,800 maturing in 2005 plus interest at 3.23% for the 2003 Pickerel Lake Drainage District	2,800	-	-	2,800	2,800
Drain District note dated December 22, 2003 for \$4,880 maturing in 2005 plus interest at 3.23% for the 2003 Bear Swamp Drainage District..	4,880	-	-	4,880	4,880
Drain District note dated December 23, 2003 for \$10,000 maturing in 2005 plus interest at 3.23% for the 2003 Berkel Drainage District.	10,000	-	-	10,000	10,000
Drain District note dated June 15, 2001 for \$111,846 Maturing in 2008 plus interest at 4.23% for the 2001 Virginia Park Inter County Drainage District.	79,890	-	(15,978)	63,912	15,978
Drain District note dated November 16, 2001 for \$207,217 maturing in 2003 plus interest at 2.96% for the 2001 Sunset Shores Drain Drainage District with an extended date of June 1, 2004.	207,217	-	(207,217)	-	-
Drain District note dated January 25, 2002 for \$11,068 maturing in 2004 plus interest at 3.17% for the 2002 Farm & Resort Drainage District.	5,534	-	(5,534)	-	-
Drain District note dated August 27, 2003 for \$148,000 maturing in 2008 plus interest at 3.0% for the Kuipers Drainage District.	148,000	-	(29,600)	118,400	29,600
Drain District note dated January 25, 2002 for \$51,325 maturing in 2004 plus interest at 3.17% for the 2002 Nelson-Gilkey Drainage District.	51,325	-	(51,325)	-	-
Drain District note dated July 3, 2002 for \$44,106 maturing in 2005 plus interest at 2.9% for the 2002 Garton Drainage District.	29,404	-	(14,702)	14,702	14,702

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8: LONG/SHORT-TERM DEBT (CONTINUED)

	Balance 1/1/04	Additions	(Deductions)	Balance 12/31/04	Due within One Year
<u>Drain/DPW Component Unit (Continued)</u>					
Drain Notes Payable (Continued)					
Drain District note dated July 3, 2002 for \$36,499 maturing in 2004 plus interest at 2.9% for the 2002 Sal Drainage District.	\$ 18,249	\$ -	\$ (18,249)	\$ -	\$ -
Drain District note dated July 3, 2002 for \$12,540 maturing in 2005 plus interest at 2.9% for the 2002 Waldron Drainage District.	8,360	-	(4,180)	4,180	4,180
Drain District note dated September 27, 2002 for \$109,685 maturing in 2012 plus interest at 4.94% for the 2002 Cook-Chappel Drainage District.	98,717	-	(10,969)	87,748	10,969
Drain District note dated October 4, 2002 for \$132,638 maturing in 2007 plus interest at 2.89% for the 2002 Boyd Intercounty Drainage District.	106,110	-	(26,528)	79,582	26,528
2004 Nelson Gilkey dated September 30, 2004 at 3.65% maturing annually through 2008 \$42,425 annually.	-	169,700	-	169,700	42,425
2004 Berket dated December 10, 2004 at 2.55% maturing annually through 2006 \$10,750 annually.	-	21,500	-	21,500	10,750
2004 Hoffman, Harrington dated December 10, 2004 at 2.55% matures in 2006.	-	2,748	-	2,748	-
2004 Kuipers dated December 10, 2004 at 3.69% maturing annually through 2007 \$6,045 annually.	-	18,135	-	18,135	6,045
2004 Sission dated December 10, 2004 at 2.55% maturing annually through 2006 \$7,940 annually.	-	7,880	-	7,880	3,940
2004 Symons dated December 10, 2004 at 2.55% matures in 2006.	-	20,000	-	20,000	-
2004 Tibbie dated December 10, 2004 at 2.55% matures in 2006.	-	2,632	-	2,632	-
2004 Tomopilsky dated December 10, 2004 at 2.55% matures 2006.	-	7,000	-	7,000	-
2004 Buttemut dated December 10, 2004 at 2.55% matures 2006.	-	2,072	-	2,072	-
2004 Sunset Shores dated March 15, 2004 at 2.24% maturing annually 2007 in amounts of \$94,826.	-	284,478	-	284,478	94,826
Total Drain/DPW Notes Payable	1,790,627	536,145	(575,668)	1,751,104	756,788
Total Drain/DPW Component Unit Bonds and Notes	20,176,597	4,591,145	(6,385,668)	18,382,074	2,296,788
Drain notes payable short-term included as fund liabilities	123,154	501,592	(238,693)	386,053	386,053
Total Drain/DPW Component Unit	\$20,299,751	\$5,092,737	\$(6,624,361)	\$18,768,127	\$2,682,841

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8: LONG/SHORT-TERM DEBT (CONTINUED)

Road Commission Component Unit

The long-term debt of the Road Commission is summarized as follows:

Bonds Payable					
1989 – Salem Township Bond	\$ 35,000	\$ -	\$ (35,000)	\$ -	\$ -
Installment Purchase Agreements					
Caterpillar Financial Services					
One Wheel Loader May 1999	10,577	-	(10,577)	-	-
One Motor Grader October 2000	2,851	-	(2,851)	-	-
Two Motor Graders December 2001	243,717	-	(22,496)	221,221	23,599
Vested Employee Benefits	400,187	18,572	-	418,759	-
Total Road Commission Component Unit	692,332	18,572	(70,924)	639,980	23,599
Total Component Units	20,992,083	5,111,309	(6,695,285)	19,408,107	2,706,440
TOTAL LONG/SHORT-TERM DEBT	\$35,842,288	\$5,165,287	\$ (9,527,606)	\$31,479,969	\$4,376,440

The annual requirements to maturity on the long-term debt outstanding at December 31, 2004, are as follows:

	<u>Primary Government</u>		<u>Drain/DPW</u>		<u>Road Commission</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,670,000	\$ 479,407	\$ 2,296,788	\$ 777,449	\$ 23,599	\$10,104
2006	425,000	434,512	1,684,779	681,716	197,622	8,945
2007	450,000	415,294	1,685,669	615,010	-	-
2008	475,000	394,872	1,519,995	550,881	-	-
2009	500,000	373,200	1,370,968	489,447	-	-
2010-2014	2,950,000	1,485,165	5,717,905	1,631,564	-	-
2015-2019	3,675,000	3,675,000	2,760,000	666,296	-	-
2020-2024	840,000	26,044	555,000	233,342	-	-
2025-2029	-	-	210,000	171,714	-	-
Thereafter	-	-	580,970	181,808	-	-
Total	\$10,985,000	\$7,283,494	\$18,382,074	\$5,999,227	\$221,221	\$19,049

Current and Prior Year Defeasance

During fiscal year 2004 and prior years, Allegan County advance refunded certain general obligation bonds by purchasing U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$2,350,000 of defeased debt. As a result, the bonds are considered to be defeased and the liability has been removed from the statement of net assets.

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 8: LONG/SHORT-TERM DEBT (CONTINUED)

Current Year Advance Refundings

During fiscal year 2004, Allegan County issued \$3,410,000, (Casco-South Haven systems) and \$645,000 (Otsego Township system) of Allegan County general obligation bonds to provide resources along with additional contributions from local units to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$2,450,000, \$815,000, (Casco-South Haven system) and \$950,000 (Otsego Township system) of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Assets. This advanced refunding was undertaken to reduce total debt service payments by \$127,298 and \$154,775, respectively which resulted in an economic gain of \$103,027 and \$55,067, respectively.

NOTE 9: INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund balances as of December 31, 2004 (September 30, 2004 for Special Revenue Mental Health Fund) represent loans for cash flow purposes and are as follows:

	Revenue Sharing Revenue	Non-major Governmental Fund	Total
DUE FROM PRIMARY GOVERNMENT			
Major Funds:			
General Fund	\$1,255,508	\$ 120,000	\$ 1,375,508
Internal Service Funds	-	111,599	111,599
Nonmajor Governmental Funds	-	499,063	499,063
Total Primary Government	\$ 1,255,508	\$ 730,662	\$1,986,170

	Advances Receivables	Advances Payables
PRIMARY GOVERNMENT		
Major Funds:		
General Fund	\$180,000	\$ -
Nonmajor Governmental Funds	352,915	352,915
COMPONENT UNITS		
DPW/Drain Commission	-	180,000
Total	\$532,915	\$532,915

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 10: RISK MANAGEMENT/SELF-INSURANCE PROGRAMS

PRIMARY GOVERNMENT

The County is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools, and commercial insurance and excess coverage policies. Following is a summary of these self-insurance programs and risk management pool participation.

Liability

The County participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property damage coverages. The MMRMA provides risk management, underwriting, reinsurance and claims review and processing services for all member governments pursuant to its charter.

The County makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from an internal service fund (i.e., the Self-Insurance Fund) using premiums paid into it by other funds of the government. Such contributions as received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the members self-insurance retention limits along with certain other member-specific costs. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Changes in the claims liability for the years ended December 31, 2004 and 2003 are as follows:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Net Claim Payments</u>	<u>End of Year Liability</u>
2003	\$333,173	\$ 235,234	\$ 157,182	\$411,225
2004	411,225	13,381	182,795	241,811

There have been no significant reductions in insurance coverage from coverage in prior years and settlements have not exceeded insurance coverage for each of the past three years.

Coverage	Self-insured retention
Liability	\$100,000
Property and Crime	
\$1,000 deductible per occurrence	10% of the next \$100,000

Employee Health Insurance

County employees are eligible for vision and life insurance available through insurance companies. Health and dental insurances are provided for through the Self-Insurance Fund, an internal service fund. The self-insured programs are administered by a third-party administrator who provides claims review and process services as well as illustrated premium rates, which are anticipated, over time, to approximate the actual cost of benefits.

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 10: RISK MANAGEMENT/SELF-INSURANCE PROGRAMS (CONTINUED)

Premiums for both commercial and self-insured programs are paid into the internal service funds by all other funds based on actual or illustrated rates. These premiums are used to purchase insurance coverage from commercial carriers, or in the case of the self-insured programs, are available to pay health care claims, claim reserves, excess coverage and administrative costs. Excess coverage insurance purchased by the County covers individual claims in excess of \$75,000 annually, subject to an aggregate annual limitation of \$1,000,000. The liability at the end of the year is based on claims already incurred and not reported.

There have been no significant reductions in insurance coverage from coverage in prior years and settlements have not exceeded insurance coverage for each of the past three years.

The changes in the claims liability for the years ended December 31, 2004 and 2003 are as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Year Liability
2003	\$323,776	\$4,681,026	\$4,370,580	\$634,222
2004	634,222	4,810,409	4,847,631	597,000

Unemployment

The County is self-insured for unemployment benefits, which is also accounted for in the Self Insurance Internal Service Fund. Unemployment claims are reimbursed to Michigan Employee Security Commission based on actual claims annually. The reserve for unemployment benefits is determined by management based on prior experience. Unemployment benefits are expended when paid. There is no end of year claims liability for unemployment.

Workers' Compensation

The government maintains a self-insurance program for workers' compensation coverage which is accounted for in the Self Insurance Internal Service Fund. The specific risk retention associated with the worker's compensation self insurance activity is \$400,000 with a liability limit of \$1,000,000 provided to the County through excess insurance coverage. The program is administered by a third party administrator who conducts safety inspections and provides claims review and processing services. Premiums are paid into the internal service fund by all other funds based on payrolls and job classifications and are available to pay claims, claim reserves, excess coverage and administrative costs.

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 10: RISK MANAGEMENT/SELF-INSURANCE PROGRAMS (CONTINUED)

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Changes in the claims liability for the years ended December 31, 2004 and 2003 are as follows:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2003	\$ 20,007	\$338,453	\$207,804	\$150,656
2004	150,656	191,309	277,817	64,148

There have been no significant reductions in insurance coverage from coverage in prior years and settlements have not exceeded insurance coverage for each of the past three years.

Community Mental Health Service Fund

Community Mental Health service provides health, dental and short-term disability insurances to all its eligible employees through the Mental Health Self Insurance Internal Service Fund. The self-insured programs are administered by a third-party administrator who provides claims review and process services as well as illustrated premium rates, which are anticipated, over time, to approximate the actual cost of benefits.

Premiums for self-insured programs are paid into the internal service funds based on actual or illustrated rates. These premiums are available to pay health care claims, claim reserves, excess coverage and administrative costs. Excess coverage insurance purchased by Mental Health covers individual claims in excess of \$30,000 annually, subject to an aggregate annual limitation of \$1,000,000 for medical claims only. The liability at the end of the year is based on claims already incurred and reported as well as an estimate for claims incurred but not reported at September 30, 2004.

The changes in the claims liability for the years ended September 30, 2004 and 2003 are as follows:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2003	\$174,011	\$1,133,264	\$1,101,375	\$205,900
2004	205,900	965,684	1,091,625	79,959

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 10: RISK MANAGEMENT/SELF-INSURANCE PROGRAMS (CONTINUED)

ROAD COMMISSION (COMPONENT UNIT)

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for Inland Marine and physical damage (building and contents) and medical benefits claims. The Road Commission participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, errors and omissions and physical damage (equipment). The Road Commission participates in the County Road Commission Self-Insurance Fund (CRCSIF) for workers' compensation insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 fiscal years.

The County road commissions in the State of Michigan established a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool), pursuant to the provision of Act 138 of the Michigan Public Acts of 1982. The pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State. The Allegan County Road Commission became a member in the pool in April 1984 and became a member in CRCSIF in 1981.

The Michigan County Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 11: TRANSFERS

Transfers in and out as of December 31, 2004 (September 30, 2004 for Special Revenue Mental Health Fund) are as follows:

	Transfers In				Total
	General Fund	Health Department	Mental Health	Non-major Governmental Funds	
Transfers Out					
Major Funds:					
General Fund	\$ -	\$ 983,106	\$ 359,600	\$ 3,339,536	\$ 4,682,242
Central Dispatch/E911	-	-	-	2,514,663	2,514,663
Revenue Sharing Reserve	1,255,508	-	-	-	1,255,508
Enterprise Funds					
Delinquent Tax Fund	-	-	-	1,553,825	1,553,825
Internal Service Funds	-	-	174,858	-	174,858
Nonmajor Governmental Funds	-	-	-	107,875	107,875
Total	\$1,255,508	\$ 983,106	\$ 534,458	\$7,515,899	\$10,288,971

Transfers represent operating subsidies subject to the budgetary process.

ALLEGAN COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 12: LITIGATION

In the normal course of its activities, the County is a party to various legal actions and subject to certain asserted and unasserted claims and assessments. Although other actions have been brought, the County has not experienced any additional significant losses or costs. It is the County's opinion that the outcome of any pending actions will not have a material effect on the County's financial position or results of operations.

NOTE 13: COMMITMENTS

The County is a lessor under an operating lease agreement for office space. The original cost of the leased assets constructed in 2002 is \$6,264,137 with accumulated depreciation of \$313,206 at year end. Future lease revenues for these facility leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2005	\$ 394,283
2006	394,283
2007	394,283
2008	394,283
2009	394,283
2010-2014	1,971,415
2015-2019	1,971,415
2020-2024	<u>1,281,420</u>
Total	<u>\$7,195,665</u>

The County had outstanding construction commitments of approximately \$1,500,000 at year end.

NOTE 14: RESTATEMENT

To properly reflect grant revenue in the transit fund, a prior period adjustment has been made. For the fiscal year ended December 31, 2004, the following restatements were made to beginning net asset accounts:

Governmental net assets, December 31, 2003	\$31,808,364
Deduct: Prior period adjustment to reflect appropriate grant accrual	<u>(60,956)</u>
Governmental net assets, restated, as of December 31, 2003	<u>\$31,747,408</u>

In addition, the following adjustments were made to the beginning fund balances of governmental funds:

Fund balances of governmental funds as of December 31, 2003	\$22,835,455
Deduct – Prior period adjustment to reflect appropriate grant accrual	<u>(60,956)</u>
Governmental fund balance, restated, as of December 31, 2003	<u>\$22,771,499</u>

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